

## ASX Release

19 May 2020

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### **BlackWall Group Update Q2 2020**

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Attached is a periodic newsletter sent to BlackWall Limited (BWF) and BlackWall Property Trust (BWR) investors in respect of the property and fund activities of the BlackWall Group.

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Authorised for lodgement by  
Alex Whitelum  
Company Secretary



## **BlackWall Group Funds Update**

### **Q2 2020**

#### **COVID-19 UPDATE**

As confirmed cases of COVID-19 continue to rise around the world, so too does the economic impact. Worldwide and closer to home, we have seen the rapid developments in the disease cause a significant decline of global markets and the forced shutdown of businesses of all different sizes.

In Australia, the federal and state governments have stepped in with sizeable stimulus packages to save jobs and boost the economy but what does all this mean for the BlackWall Group, our investors and our tenants.

#### *Working to support our tenants*

Since the virus took hold domestically and lockdown measures were introduced, we have continuously reviewed our approach to how we manage our properties. We have implemented a strategy that we think gives our tenants the best chance of survival, while seeking to minimise to the maximum extent possible, the impact on our property owners.

We have provided rent abatements for small business in financial distress and offered rent deferrals to those tenants who need relief and cash flow support. We waived rent for April for the 10 coffee shops and restaurants in our portfolio and have worked with other vulnerable tenants to offer a mix of rent waivers and rent deferrals to ease their strain. The Federal Government's code in relation to commercial leases was agreed by the National Cabinet on 3 April 2020 and has guided us in the relief to be provided to our tenants now and in future months. The code applies to small and medium sized business that qualify for the JobKeeper program and have annual turnover of up to \$50 million. Three of the code's fourteen leasing principles refer to rent reductions and apply on a case by case basis, being:

- landlords must offer reductions in rent (in the form of deferrals and waivers) proportionate to the tenant's decline in turnover;
- rent waivers (as opposed to deferrals) must constitute at least 50 per cent of the rent reduction; and
- any deferred rent must be paid back over the balance of the lease term or for a period of no less than 24 months, whichever is greater.

We have adopted the code across our portfolio as a minimum relief measure to help share the financial risk and cashflow impacts of COVID-19 with our small to medium sized tenants.



During this time, we are looking to our larger and more secure tenants to continue to meet their commitments to help us support those that are struggling. We are constantly reviewing our approach as the crisis evolves to ensure we are able to offer assistance as quickly as possible to tenants in need.

#### *Financial impacts*

In the properties that we control we have provided approximately \$734,000 in rent waivers and \$722,000 in rent deferrals (up to 31 May 2020).

To ensure the BlackWall Group is well positioned to navigate the impacts of the virus, including pursuing any opportunities that may present themselves, we have arranged and drawn an additional debt facility that has provided around \$20 million in liquidity to BWR.

We paid the quarterly distributions for the Pymont, Woods PIPES and Penrith Funds as normal at the end of April. Whilst the crisis has had a short-term cash flow effect, these entities were adequately capitalised to pay their distributions from the March quarter cashflow and we thought it important to do so. If the impacts of COVID-19 last longer than expected, distribution payments will be reviewed and we will reassess the situation at the end of the June quarter.

#### *WOTSO*

WOTSO WorkSpace is a significant tenant in our portfolio and its cashflow has been impacted by the decline in members accessing workspace during the current climate. As a result, and in an effort to preserve its relationship with members, WOTSO has offered all members the opportunity to suspend their memberships at this time with offices and desks held for when the members return. With the recent positive news that virus infections have slowed significantly, and the move by governments to start easing restrictions, WOTSO is starting to see members return to our spaces although it will no doubt take time to return to previous revenue levels. WOTSO falls under the mandatory code for rent relief, which we are adopting across the WOTSO leases in our property portfolio. WOTSO is also carefully reviewing its processes and procedures to ensure it is able to provide a safe environment for members when they return to its facilities.

#### **PROPERTY UPDATES**

During the COVID-19 lockdown period we have taken then opportunity to undertake some works whilst the properties are quieter. All are moving the properties forward, including:

#### *Fortitude Valley*

Expansion and reconfiguration of our building to grow the WOTSO tenancy.

### *Dickson*

Upgrade of our cooling towers and chiller equipment in order to improve efficiencies as well as the reconfiguration of our space to accommodate the growth of WOTSO.

### *Adelaide*

Upgrade of the old German Club building facades.

**Flinders St BEFORE**



**Flinders St PROPOSED\***



\* artist impression

**Ifould St BEFORE**



**Ifould St PROPOSED\***



\* artist impression

### *North Strathfield*

Expansion of the multi deck car park net lettable area to accommodate a new gym and other smaller commercial tenancies.

**Building L BEFORE**



**Building L PROPOSED\***



\* artist impression