**ASX ANNOUNCEMENT** **28 May 2020**

**Quattro Plus Real Estate**

**ASX CODE: QPR** **ARSN 114 494 503**

**Update for the period from 1 March 2020**

In the context of COVID-19 we wanted to provide an interim update to unitholders on QPR's response and the performance of our portfolio generally and as a result of COVID-19. Overall managements core philosophy has been to focus on preserving liquidity within the portfolio by working actively and constructively with tenants to optimise rental collections and maintaining prudent capital management. As explained further below, whilst COVID-19 will of course have some impact on the assets in the short term, the portfolio remains well positioned for the medium to long term and ultimately to achieve our targeted returns in relation to each asset.

The Trust owns five assets in Auckland, New Zealand and one asset in Chicago, USA. New Zealand entered lockdown on 25 March 2020, reducing to level 3 on 27 April and Level 2 on 13 May. Chicago commenced Stay At Home orders in mid-April and these are expected to stay in place until 1 June.

The portfolio revenue collection over the last two months has averaged 85% of budget in Auckland and 90% of budget in Chicago. We expect that both locations should continue at these levels in the interim while businesses emerge from lockdown in line with local regulations. Management is actively working and communicating with tenants and is looking to re-establish normal rent collection ratios as business normalises.

In Auckland, the Trust had commenced a capital works programme for the assets as previously detailed. Works were halted by the lockdown on 25 March and re-commenced on 27 April. During this period, the Trust paid all outstanding operating and capital costs. The Trust has maintained liquidity and is advanced in extending its debt facilities to meet future capital works costs, including leasing costs. The focus on prudent capital management has positioned the Trust to execute its strategy to add value to the assets and a detailed update will be provided with the full year results to be announcement in August this year.

In Chicago, the Trust has entered conditional agreements for the digitisation of the billboards with the billboard tenant, whose interest is held by a ground lease. As a result of the digitisation, the Trust has agreed a conditional Letter of Intent with a third party to acquire an interest in the ground lease. The Trust has also executed a conditional Purchase and Sale Agreement with a hotel developer for a portion of the current site.

Both in New Zealand and Chicago during the period since 1 March, new leases have been executed. As both locations start to normalise, new tenant enquiry has been above normal levels but, at this time, it remains unclear as to how much of this new enquiry will be converted to leases. Given the lack of clarity in the markets, the capital works programme is being reviewed in relation to future revenue generation to ensure works are aligned to current demand.

**Quattro RE Limited** ABN 55 115 913 810, AFSL 299074|
Level 9, 117 Macquarie Street, Sydney, NSW, 2000, Australia
GPO BOX 4358, Sydney NSW 2001
**T** +61 2 9222 8199 | **D** +61 2 9222 8101 | **F** +61 2 9223 8788 | **W** www.quattroam.com.au

## NZ Portfolio Update

- **1 Albert St;** the lobby and ground levels are 40% complete and due for completion in late 2020. The property is at 65% occupancy, which reflects the current capital works and there is active leasing with a high level of enquiry and conversion due to the prime location. The $1bn Commercial Bay integrated office / retail complex, which is located opposite the intersection at 1 Albert St, is due to open on 11 June. The owner of the site behind 1 Albert Street has submitted a development application for a 40,000sqm office tower, similar in size to Commercial Bay. Both developments highlight the strong location of 1 Albert Street.

- **12 Viaduct Harbour;** The ground floor gym, now an F45 gym and the new café, “Lawn”, are both due to open in mid-June. The offices are 100% occupied.

- **10 Viaduct Harbour;** the asset is 92% occupied, the only vacancy is a 160sqm new private office suite which has been recently completed and is under offer to a multinational corporation.

- **110 Custom Street West;** The offices are at 100% occupancy. The ground floor retail is vacant and being prepared for lease ahead of the Americas Cup in March 2021, which will be located in the marina across from the building and provide a significant increase in pedestrian counts.

- **87 Albert Street;** The property is 65% leased to mainly small businesses. The plans to upgrade the building are progressing well with contracts now in progress for the lift modernisation and lobby upgrade.

## US Update

The Trust owns one property in the US which is located at **1700 W. Higgins**, Chicago. The asset’s re-positioning is nearing completion and is targeted to be sold in 2021.

- Renovations have been completed and an active leasing programme is in place to materially increase occupancy. Prior to the Stay At Home order in Chicago, three lease proposals were issued, two have now been executed and the third is in advanced negotiation. The three leases will increase occupancy to 78%.

- The US debt facility provides approximately US$2.8m for future tenant incentives and leasing commissions, providing significant capacity to offer competitive incentives to lease up the balance of space and maximise the asset’s value from an eventual sale.

- As part of enhancing the marketability of the building, it was proposed that the land adjacent to the site would be purchased to convert into a new car park to provide more on-site parking for the office space. This has been deferred to preserve the Trust’s liquidity until the economy normalises.

- The billboard digitisation and associated capex spend has been deferred until the economic environment stabilises. These works are to be completed at the billboard tenant’s expense and management will look to have these works completed in the near future.

- As a result of the billboard digitisation agreement, the Trust has agreed a conditional letter of Intent with a third party to acquire a 35-year interest in the Trust’s ground lease with the billboard tenant for US$3.75m.

- A conditional Purchase and Sale Agreement has been executed to sell a portion of the existing site for US$1.0m to a hotel developer, who is developing a 105 room Marriott Hotel.

- In preparation for a potential sale of the whole property in early 2021, management have put in place a currency hedge for an initial US$5m of future equity repatriation at around current USD/AUD levels.

**For more information, please contact the Responsible Entity:**
Andrew Saunders
Executive Chairman
Quattro RE Limited
+61 2 9222 8100 or enquiries@quattroam.com.au