US Masters Residential Property Fund (Fund)
ASX Code: URF

Investment and NAV Update - 30 June 2022

The unaudited fully diluted net asset value (NAV) before tax as at 30 June 2022 is estimated to be $0.61 per unit.

If estimated tax on unrealised portfolio gains or losses were recognised, the unaudited fully diluted post-tax NAV as at 30 June 2022 is estimated to be $0.57 per unit.

The Fund's NAV updates reflect the property values determined as a result of the 31 December 2021 appraisal process. Each monthly NAV update accounts for the operational results of the months since 31 December 2021, as well as asset sales, investor distributions and foreign exchange movements over this time period. These NAV estimates are calculated on a "fully diluted" basis, meaning that it is assumed the URF Convertible Preference Units (ASX: URFPA) are converted into ordinary URF units on 1 January 2023. Note that no final decision has been made regarding conversion.

The Fund is in the process of finalising its half-yearly property portfolio valuation exercise. The updated portfolio valuation will be included in the 30 June 2022 half-year financial report, with release expected by the end of August. Accordingly, the estimated NAV as at 30 June 2022 does not take into account any potential changes to the property portfolio fair value that might arise from that revaluation exercise.

Sales Program Update

As previewed in the 31 May 2022 NAV release, the Fund has reinstated its asset disposal program, and the Fund intends to utilise excess sales proceeds for corporate activities, including buybacks. Although the Fund's buyback program has already commenced and is currently being funded by cash reserves, the Fund intends to continue to provide additional funding to the program through sales proceeds from the disposal program, subject to market conditions.

While the Fund remains open to the possibility of completing a large-scale transaction – including a full portfolio or sub-portfolio sale – the Fund intends to reinstate its disposal program by beginning with an asset by asset sales approach, similar to the strategic sales program that the Fund completed over the course of 2019-21. The program will be particularly focused on selling assets from the New York and New Jersey Premium segments of the portfolio, as the Board of the Responsible Entity believes there to be a greater possibility of a bulk sale of the New Jersey Workforce sub-portfolio once economic conditions stabilise. The Board also believes that the Fund is more likely to maximise value for unitholders by selling premium assets to owner-occupiers. As the disposal program is implemented, the Fund intends to use its monthly and quarterly releases to provide investors with updates regarding the sales pipeline inventory, including volume listed on the market, under contract and volume settled during the period.

Source: E&P Investments Limited – the historical performance is not a guarantee of the future performance of the Portfolio or the Fund.

Operational Update

In line with prior guidance, during the month the Fund also further consolidated the local US operations in an effort to continue to reduce General & Administrative costs. The Fund's staffing levels were reduced by 37%, and the Fund continues to work with the Board of the Responsible Entity to evaluate further potential changes, including externalising part, or all, of the Fund's operating platform. Further information regarding a determination on changes to the Fund's operating structure are likely to accompany the Fund's 30 June 2022 accounts to be released next month.

Rent Collection Update

Throughout June, the Fund's 1-4 family portfolio collected funds equivalent to 98% of the month's rent roll. The rent collected includes receipts for June, as well as outstanding payments for prior months.

Pleasingly, the Fund has continued to see strong growth on both new leases and renewals. For leases signed during Q2 2022, the Fund achieved average rent growth of 13.3% on new leases and 9.4% on renewals. Consistent with the guidance provided in the Fund's May NAV release, the strength of the Fund's rent growth achieved has continued to be driven by the New York Premium (19.2% on new leases signed in Q2, 13.5% on renewals signed in Q2) and New Jersey Premium (18.2% on new leases signed in Q2, 9.7% on renewals signed in Q2) segments of the portfolio.

Source: E&P Investments Limited – the historical performance is not a guarantee of the future performance of the Portfolio or the Fund.

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