



28 July 2015

APN announces establishment of APN Steller Development Fund

APN Property Group Limited (ASX: APD) and Steller Pty Ltd (Steller) today announced the establishment of the APN Steller Development Fund, which has been established to undertake six inner Melbourne medium density apartment developments on behalf of sophisticated investors. A copy of the media release is attached.

ENDS

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About APN Property Group

APN Property Group Limited (ASX code: APD) is a specialist real estate investment manager. Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutional and retail investors. APN's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

www.apngroup.com.au

Media Release

28 July 2015

New development fund opens doors to sophisticated investors in Melbourne's inner suburbs

APN Property Group Limited (APN) and Steller Pty Ltd (Steller) today announced the establishment of the APN Steller Development Fund, which has been established to undertake six inner Melbourne medium density apartment developments on behalf of sophisticated investors.

Approximately 223 apartments will be developed across defined development zones in St Kilda, Armadale, McKinnon, Highett & Cheltenham, catering primarily to owner occupiers looking to downsize in these inner Melbourne suburbs.

The Fund provides investors the opportunity to participate in selected property developments with attractive target returns, capitalising on both APN and Steller's experience.

Mr Tim Slattery, Executive Director of APN commented: "This new development fund provides investors with an opportunity to participate in carefully selected inner Melbourne medium density residential developments with attractive forecast returns, supported by strict measures designed to mitigate capital risk over a defined investment timeframe."

"The Fund will limit capital at risk to the development sites until sufficient sales of apartments have been secured before starting construction," Mr Slattery added.

Specialising in medium density developments across inner Melbourne suburbs, Steller Managing Director, Nicholas Smedley, says the market is ripe for providing sophisticated investors with opportunities that offer this type of development risk management approach.

"Steller's sweet spot is providing affordable and unique development options for people looking for more than a box in the sky - those who are interested in investing in properties to either enhance their lives or their retirement portfolios," Mr Smedley says.

"Our long term strategy of being able to support the further gentrification of these inner-Melbourne suburbs whilst providing a stable investment opportunity for those in the market, has been made possible with the joint development of our venture with APN," concludes Smedley.

With the APN Steller Development Fund raising up to \$20 million of equity, with APN and its related parties investing approximately \$2 million, sophisticated investors will have the opportunity to capitalise on property with compelling credentials, as summarised below.

Investment summary

- 223 apartments¹ over 6 Projects in South East Melbourne (St Kilda, Armadale, McKinnon, Highett & Cheltenham)
- Attractive investment returns – target equity IRR 20% pa and target equity multiple of 1.5 times²
- Pre sales must cover 100% total project costs before construction commencement – limited capital at risk in initial investment in land only
- Target 25% margin on costs for each Project
- Medium density only located in Residential Growth zones in close proximity to transport and amenity
- Each project has strict cost parameters supported by guaranteed maximum price construction by Steller
- Affordable apartment pricing at ~\$8,000 psm with strong demand from target market downsizing owner occupiers
- No debt at Fund level
- 4 Projects already in planning
- APN will manage Fund supported by significant co-investment
- Steller has considerable specific experience and expertise and a demonstrated track record
- Investment is available to qualifying sophisticated investors

¹ Forecast number of apartments. The number of apartments may change during the delivery of each Project.

² Post fees. Forecast distributions are subject to a number of assumptions and risks. Investors should read a copy of the Information Memorandum before deciding to invest. Forecast returns not guaranteed.

Example of typical project



Example product type – medium density, over-sized apartment in defined development zones in South East Melbourne

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About Steller

Established in 2006, Steller offers a fully integrated property development service with its team building, constructing, developing and selling its developments. As a result of this integrated model, Steller provides time-efficient project delivery at a lower cost. Steller's developments embody contemporary luxury and innovation and grounded in functional inner-city living. It specialises in high-quality contemporary oversized apartments and multi-unit developments tailored to owner-occupiers. Its properties are grounded in functional contemporary design paired with luxury residential living. Steller has developed a strict project selection process based on council growth zones, proximity to public transport the CBD and strong social infrastructure to ensure functional inner-city living and high demand on its projects.

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