



APN REGIONAL PROPERTY FUND INVESTOR UPDATE

AS AT 31 DECEMBER 2017

APN | Property Group

1H FY18 Highlights

- 80% of the stable income is secured by government and national corporate tenants.
- Strong tenant retention outcomes delivered with Australian Customs & Border Protection and QBE Management Services renewing for five years and three years respectively
- Leased the single vacancy bringing total occupancy to 100% and further diversifying the tenancy mix
- Net Profit of \$4.75 million
- FY18 distribution of 9.5 cents per unit, reflecting a distribution yield of 8.7% pa² (paid quarterly)
- NAV per unit \$1.32, up from \$1.19 at June 2017
- Current gearing of 30.9%¹, down from 33.1% at June 2017
- WALE of 2.4 years by income
- Completed repainting of the external façade and entry foyer of both buildings



1. Calculated as total bank debt of \$15m divided by portfolio value of \$48.6m.

2. Calculated as FY18 distribution rate of 9.50 cents per unit divided by the last trading price of APR in 2017 of \$1.09.

At a glance

\$48.6m

PORTFOLIO VALUE

2

A-GRADE PROPERTIES

9,471

NET LETTABLE AREA

\$1.32

NAV

8.7%

DISTRIBUTION YIELD¹

8.82%

TOTAL RETURN P.A.
SINCE INCEPTION²

2.4 year

WALE

100%

OCCUPANCY

30.9%

GEARING³

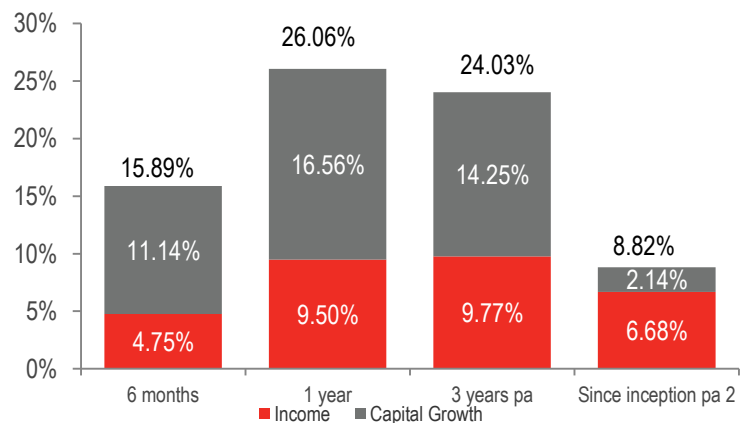
1. Calculated as FY18 distribution rate of 9.50 cents per unit divided by the last trading price of APR in 2017 of \$1.09.

2. Fund total return based on NAV.

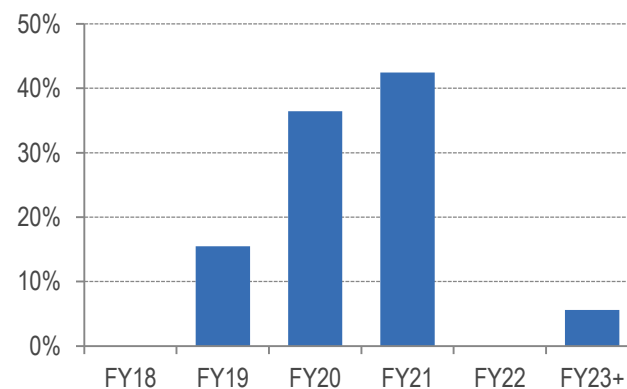
3. Calculated as total bank debt of \$15m divided by portfolio value of \$48.6m.

Fund Key Metrics

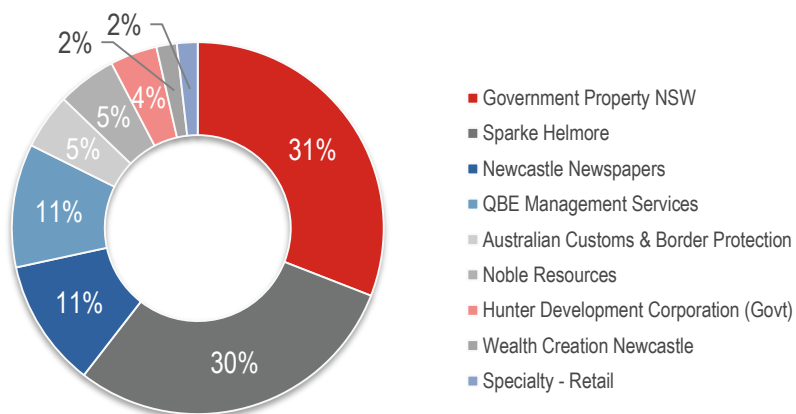
Fund Total Return¹



Lease Expiry Profile (by income)



Tenant Profile (by income)



1. Performance is based on original fully paid units at \$1.00. Past performance is not necessarily a guide to future performance.

2. Fund inception date of 28 October 2004.

Property 1 – 28 Honeysuckle Drive

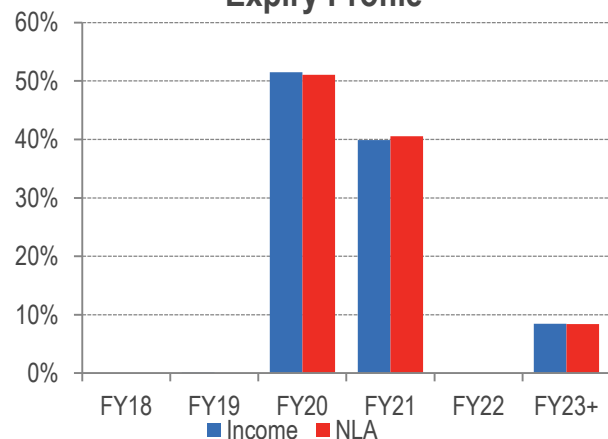
Overview

- Built in 2002, comprising seven storeys
- Five commercial tenancies and a rooftop telecommunications tenancy
- 50% of the rental income sourced from a single tenant, who has been in occupation since the building was constructed
- QBE Management Services has extended their lease term by three years to 31 October 2010
- Construction of the new light rail that connects the Newcastle Interchange to the Newcastle Town Centre has commenced. The light rail will traverse through the Honeysuckle precinct and provide a stop to the rear of the buildings adding to the already convenient location of both 26 and 28 Honeysuckle Drive.

Metrics as at 31 December 2017

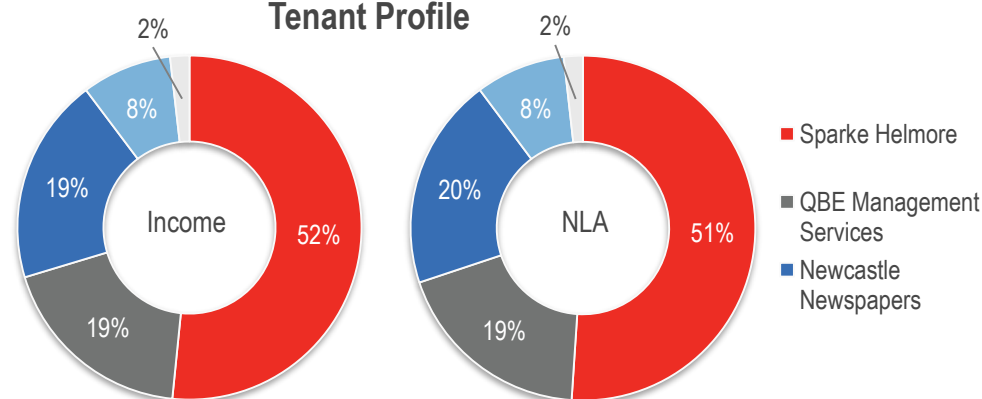
Property valuation ¹	\$28,200,000
Capitalisation rate	7.75%
NLA	5,330 m ²
Rate/m ² of NLA	\$5,291m ²
Car parking	92 secured spaces
Net property income	\$2.40 million
Annual reviews	Fixed (3.5% – 5%)
Occupancy	100%
Weighted Average Lease Expiry	2.57 years (by income)

Expiry Profile



1. Based on an independent valuation

Tenant Profile



Property 2 – 26 Honeysuckle Drive

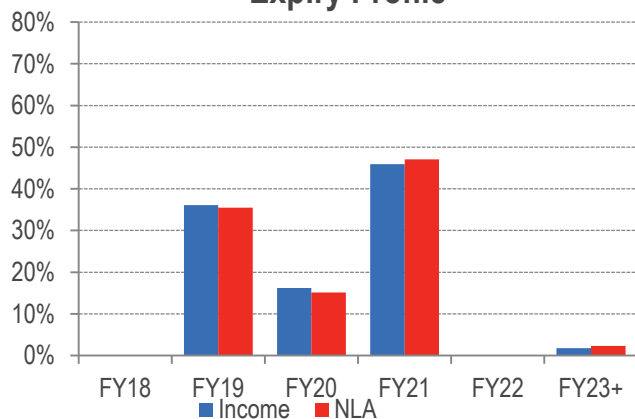
Overview

- Modern building within the Honeysuckle Precinct, located 1.5km to the west of the Newcastle City Centre
- Five commercial tenancies and two retail tenancies over seven storeys
- 83% of the rental income sourced from various NSW Government tenants
- A new lease has been entered into with Ansari & Family, a cosmetic clinic, for 97 sqm of ground floor retail space taking total occupancy to 100%
- The Fund is committed to targeting a NABERS rating of 4.5 for both buildings in order to retain and attract good quality tenants. Completion of the upgrade works is expected in February 2018.

Metrics as at 31 December 2017

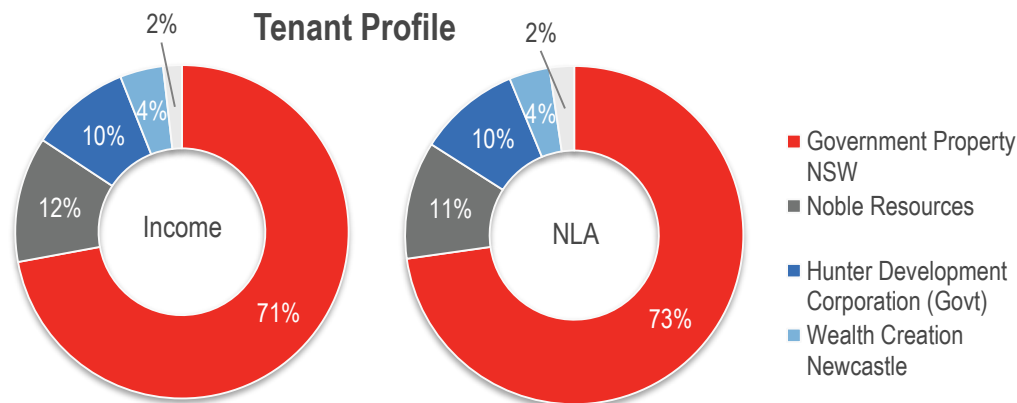
Property Valuation ¹	\$20,400,000
Capitalisation rate	8.00%
NLA	4,141 m ²
Rate/m ² of NLA	\$4,926m ²
Car parking	72 secured spaces
Net property income	\$1.76 million
Annual reviews	Fixed (3% – 4%)
Occupancy	100%
Weighted Average Lease Expiry	2.15 years (by income)

Expiry Profile



1. Based on an independent valuation

Tenant Profile



Fund Strategy

- As always, units can be traded on the NSX under the APN Regional Property Fund ticker code APR. While there has at times been significant trading activity in the Fund's units on the NSX, APN is aware that prices have reflected a discount relative to NTA. We believe that such a discount demonstrates that the current liquidity alternatives available to investors are not as effective as we would like.
- As previously outlined in our letter to investors on 6 September 2017, the Board is committed to providing investors with a liquidity event by 30 June 2018. This may include an outcome such that those investors who wish to retain their investment in the Fund are able to do so. Work is underway regarding the liquidity event and we can confirm an outcome will be communicated to investors prior to 30 June 2018.
- In the meantime, Management will continue to work proactively to further secure and maximise the portfolio's financial performance through lease renewal initiatives, active management of operating expenses, and undertaking of capital projects ensuring the properties' strong position in the market is maintained. In addition to the ongoing energy upgrade works, Management will also prioritise repainting of the assets to ensure the properties present their best and are well positioned to maximise investor return upon fund wind-up.

Additional Information

For additional information on the Fund including the audited financial statements for the half-year ended 31 December 2017, please visit the **APN** Property Group website at www.apngroup.com.au

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