Hinkler Central Trust

EXCLUSIVE INVESTMENT OPPORTUNITY

October 2023

WHOLESALE INVESTORS ONLY

Investment Opportunity

Non-discretionary retail is a resilient asset class even during periods of high inflation, as people always have to eat and purchase everyday essentials and basic services.

Since June 2000, regional shopping centre cap rates have ranged at attractive levels 200-400 bps above Government 10-year bond yields.

Average forecast distribution
8.3%+ p.a. over 5 years

Target IRR
13% to 15% p.a.

Investment period
5 to 7 years

RETAIL RENTS HAVE BEEN RESET WHILST CAP RATES REMAIN ELEVATED

Retail has underperformed for several years and rents have largely reset, yet cap rates still remain elevated. We are seeing high quality properties being mispriced in regional centres.

An ideal time to invest emerges from institutional investors selling high quality assets to either reduce debt and/or fulfill liquidity obligations. These conditions typically pave the way for strategic investors to acquire desirable assets at discounted prices.

We like acquiring assets from institutional owners as they generally physically maintain assets to high standards with regular capital expenditure programs.

We believe there are attractive buying opportunities in regional shopping centres that offer greater upside than CBD & "fortress malls" in the current environment where stubborn inflationary pressures and elevated interest rates reduce discretionary spending in favour of non-discretionary and daily needs retailing.

Investment Overview

The Hinkler Central Trust provides the opportunity to invest in a Trust that will acquire Hinkler Central - a truly dominant sub-regional shopping centre, anchored by very strong performing Coles, Woolworths & Kmart, who are all paying turnover rent.

Hinkler Central is the most dominant and strongest trading retail centre in Bundaberg, whilst offering strategic repositioning and value-add opportunities with attractive metrics.

Investment Type	Closed-end unlisted property fund
Initial Term	Targeted 5 to 7 year term
Forecast Distributions	8.3%+ p.a. (average over 5 years)
Forecast IRR	13% to 15% p.a. (post-fees, pretax)
Acquisition Price	$107.0m
Acquisition Yield (fully leased)	7.91%
Interest	100% freehold
Building Area	20,791 sqm
Major Tenants	Coles, Kmart, Woolworths
Total Specialty Tenants	56
Total Centre MAT	$229m (inclusive of GST) as at October 2023

About the Region & Asset

Bundaberg is Queensland's second fastest-growing city, with a 7.1% Gross Regional Product (GRP) growth rate*.

Bundaberg is located 360km north of Brisbane.

Serving the largest regional resident population outside of Southeast Queensland, Bundaberg is often considered the food bowl of Australia and has significant investment committed in ag-tech, clean economy technology, eco-tourism, and defense supply.

With over $4.2 billion in capital projects under planning or construction, Bundaberg is a high performing regional community.

*Source: National Institute of Economic and Industry Research (NIEIR) 2023

BUNDABERG 10-YEAR MAJOR PROJECT PIPELINE^

Agribusiness | $98.5 million
(est. 237 jobs)

Airport | $112.2 million
(est. 35 jobs)

Arts & Culture | $45 million
(est. 100 jobs)

Bundaberg Port & SDA | $47 million
(est. 100 jobs)

Environment & Energy | $569.3 million
(est. 23 jobs)

Hospital | $500m to $1.5bn
(est. 1800 jobs)

Manufacturing | $171 million
(est. 365 jobs)

Resilience Infrastructure | $85 million
(est. 45 jobs)

Road Infrastructure | $66.4 million
(est. 45 jobs)

Sport, recreation & parks | $96 million
(est. 70 jobs)

Digital & STEM | $16 million
(est. 10 jobs)

Tourism, hotel & leisure | $167.7 million
(est. 130 jobs)

^Source: Bundaberg Regional Council "Invest in Bundaberg 2022"

Hinkler Central

Situated in the heart of Bundaberg's central business district, Hinkler Central occupies an irreplaceable 4.85 hectare land holding, anchored by Woolworths, Coles and Kmart with 56 supporting specialty shops and kiosks with Gross Lettable Area (GLA) of ~20,791 sqm. The Centre features over 1,000 car parks with 700+ undercover – the only one in the region.

The Centre has undergone redevelopment and expansion since its original construction in the late 1980's, with a major redevelopment undertaken in 2005, with the most recent refurbishment occurring in 2013. A development approval for a further 1,100 sqm expansion was secured in 2019 and remains current.

INVESTMENT HIGHLIGHTS

Secure income

- The asset offers income security (~99% occupancy with a tenant wait-list)
- 3.2 years WALE by Income as at October 2023
- Acquisition yield 7.91% p.a.

Defensive tenancy profile

- Predominantly non-discretionary retailers (57% of income derived from non-discretionary tenants)
- 70% of MAT attributable to major and mini-majors

Strong performance metrics

- A strong total centre sales productivity of $10,712/sqm (ranked 11th out of 83 nationally (and 3rd in QLD) in the Shopping Centre News 2022 Little Guns)
- All major tenants (top three retailers) paying turnover rent
- Extremely productive discount department store turnover is 40% above the Urbis benchmark
- Low average specialty occupancy costs of ~10.5% (reflects strong trading and ability to increase rents in the future)

Strategic location

- Dominant and most productive Centre in Bundaberg
- $228.0m in Monthly Annual Turnover (~$11,000/sqm) with 65% of turnover from major tenants
- 4.5 – 5 million annual visits (~11% of the population visits daily)

Vibrant regional economy

- Bundaberg is QLD's second fastest growing city – 7% GDP growth
- $4.2bn in infrastructure spend forecast in Bundaberg over the next decade

Highly experienced management team with deep retails skills and relationships

- Joint venture between Centennial & Parkstone
- Leadership team including former CEO and retail EGM of Vicinity Centres and a retail executive previously holding senior positions within both Woolworths & Wesfarmers


BUNDABERG RAIL NETWORK
MARYBOROUGH STREET
coles
Woolworths
BAROLIN STREET


Woolworths
Hand Sanitation Station


coles


Kmart


PLATYPUS

Investment Metrics & Value Add Strategy

ATTRACTIVE RETURN PROFILE

- Target **13% to 15% p.a. IRR** and average **8.3%+ p.a. distribution yield** for investors over a five year hold.
- Initial 55% to 60% LVR reducing over investment term.
- Opportunity to outperform base forecast through future expansion, solar energy generation, strategic tenancy re-mix, operational cost savings and re-negotiating major leases. These have not been added into the base case.

WE LIKE THIS OPPORTUNITY...

- **Highly attractive acquisition metrics** – acquisition **19% below** peak valuation and **40%** below replacement cost.
- Targeting **8.3%+** average **annual distribution** and **13% to 15% p.a. IRR.**
- **Dominant centre** – most productive retail centre in Bundaberg, **3rd in QLD** and **11th nationally in its category**.
- **Defensive income stream driving by predominantly non-discretionary retailers** – anchored by strong performing Woolworths, Coles and Kmart tenants occupying 64% of the gross lettable area.
- **Institutionally owned with minimal capital expenditure to spend.**
- **Multiple value-add angles** – tenancy remixing, installation of solar, potential health precinct development, re-setting major tenants' leases, operational cost savings, and new income streams.
- **Catchment area benefiting** – from both population and economic growth and committed regional infrastructure investment.

To express your interest, complete the form on our website.

REGISTER YOUR INTEREST

FIND OUT MORE

Chat with our Investor Relations team by email at investors@centennial.com.au

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