

**AsheMorgan**  
INTUITIVE CAPITAL

**AM 166 Creek Street Equity Unit Trust No.2**

**December 2021 Investor Report**

**Private and Confidential**

## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>3</b>
<b>OVERVIEW .....</b>	<b>3</b>
<b>ASSET PERFORMANCE .....</b>	<b>3</b>
LEASING.....	3
CAPITAL EXPENDITURE PROJECTS.....	3
REBRANDING .....	12
ENVIRONMENTAL.....	14
COVID-19 IMPACTS.....	14
<b>FINANCIAL PERFORMANCE .....</b>	<b>14</b>
DISTRIBUTIONS.....	15
DEBT.....	15
<b>MARKET UPDATE.....</b>	<b>15</b>
<b>OUTLOOK .....</b>	<b>16</b>
NEXT QUARTERLY REPORT.....	16
<b>TRUST FINANCIALS .....</b>	<b>17</b>

## IMPORTANT INFORMATION

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## INTRODUCTION

AM 166 Creek Street Investment Manager Pty Ltd (the “Investment Manager” or “Manager”) is pleased to provide the December 2021 Quarterly Investor Report for the AM 166 Creek Street Equity Unit Trust No.2 (the “Trust”) and the underlying property at 140 Creek Street, 295 Ann Street and 232 Adelaide Street Brisbane QLD (the “Property”).

## OVERVIEW

A number of key milestones were achieved in the December 2021 quarter, including:

- Completion of the ground floor refurbishment works project
- Launch of the new N°1 ANZAC Square branding for the precinct
- Two new leases were signed with PSK Financial at Level 7, 295 Ann Street (549sqm) and DKO Architects at Level 3, 232 Adelaide Street (110sqm)

## ASSET PERFORMANCE

### LEASING

The Property is 97.4% occupied with leases currently over 51,075sqm of NLA. The Manager finalised two leasing deals in the December 2021 quarter.

- **PSK Financial Services – Level 7, 295 Ann Street:** signed a 7.3-year lease for the remaining half floor vacancy (549sqm).
- **DKO Architects – Level 3, 232 Adelaide Street:** signed a 5-year lease for a 201sqm suite to commence 1 month after the SEEK expiry at the end of February 2022.

The only available vacant tenancy remaining is Level 1, 295 Ann Street (1,368sqm). The space presents very well with new floor to ceiling windows, and we are in advanced discussions with a prospective tenant to take the whole floor.

### CAPITAL EXPENDITURE PROJECTS

- The ground floor refurbishment works project were completed in December 2021. The entry experience and building amenity have been significantly improved by the project and we have received a lot of positive feedback from tenants.



*Before and after: Corner of Adelaide and Creek Streets*



*Before and after: Creek Street façade*



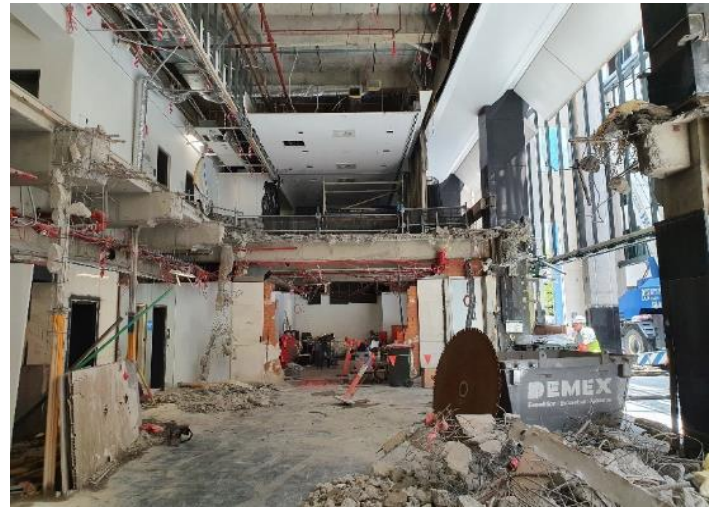
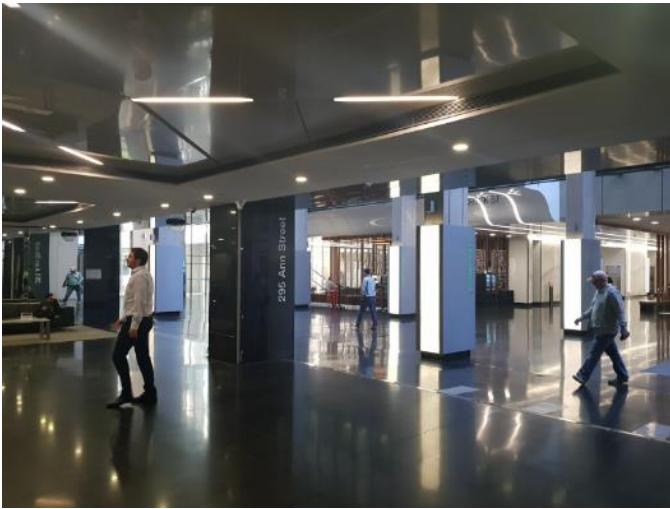
*Before and after: corner of Creek and Ann Streets*



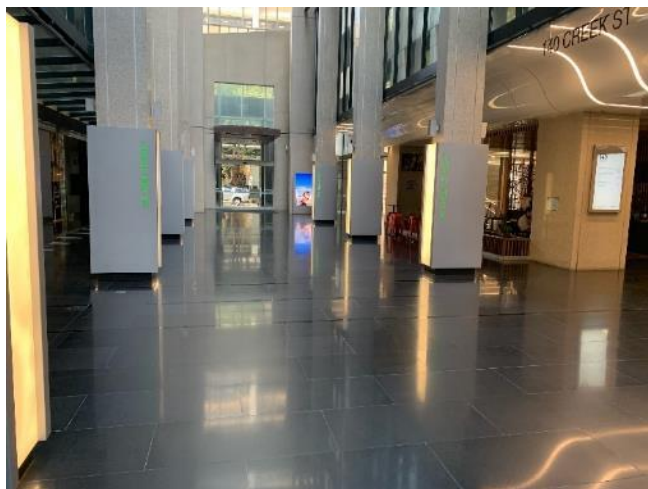
*Before and after: Ann Street façade*



*The Atrium before, during construction and after*



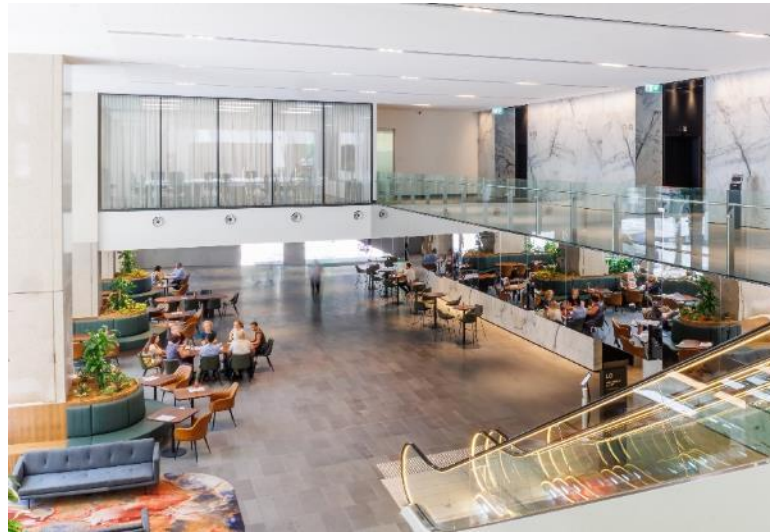
*Atrium looking through to 295 Ann Street before, during construction and after*



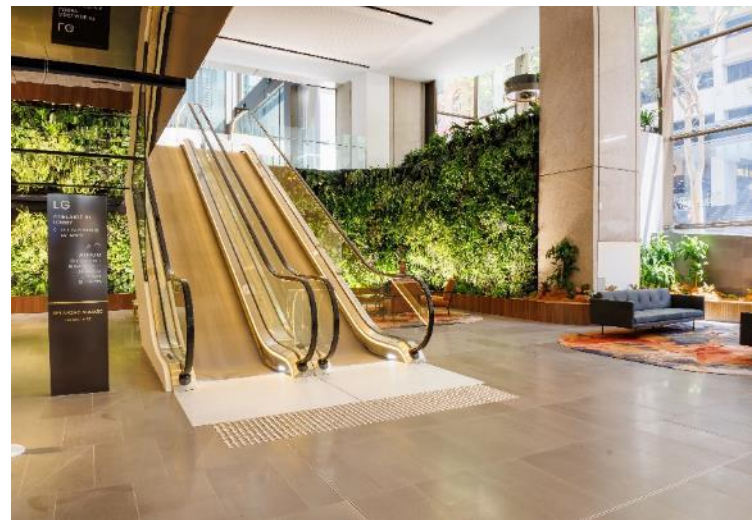
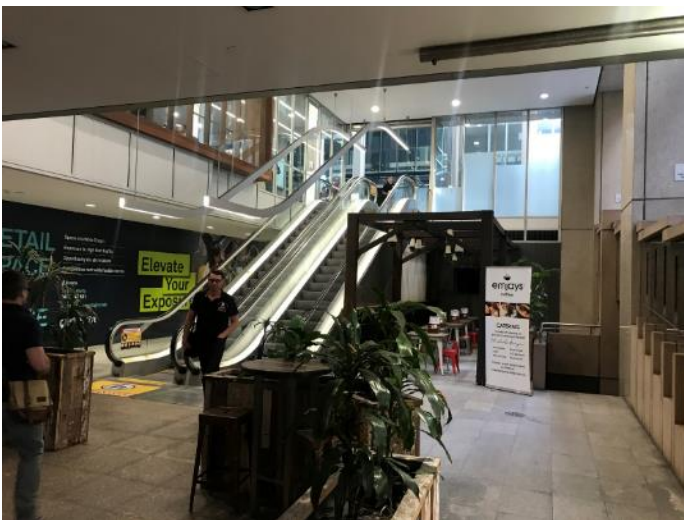
*Before and after: Atrium looking through to 140 Creek Street*



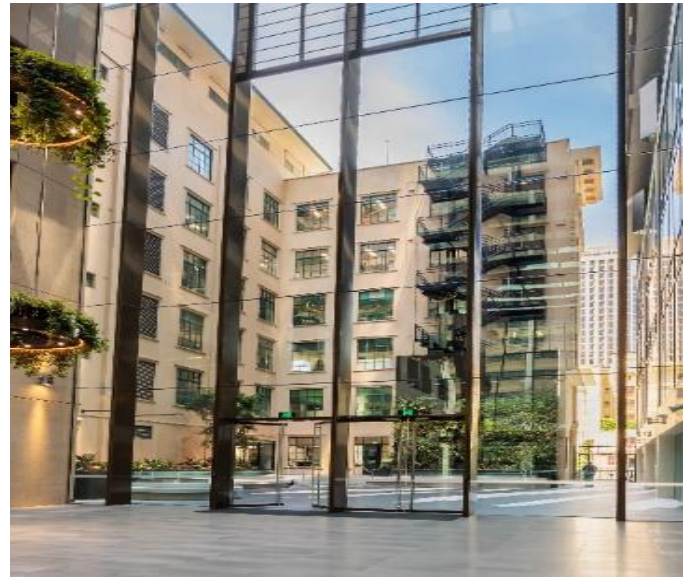
*Before and after: Adelaide Street lobby*



*Before and after: Looking down into the Adelaide Street lobby*



*Before and after: Adelaide Street lobby escalators*



*Before and after: Atrium looking out to the Courtyard*



*Before and after: Courtyard*



*Before and after: Ann Street lobby*



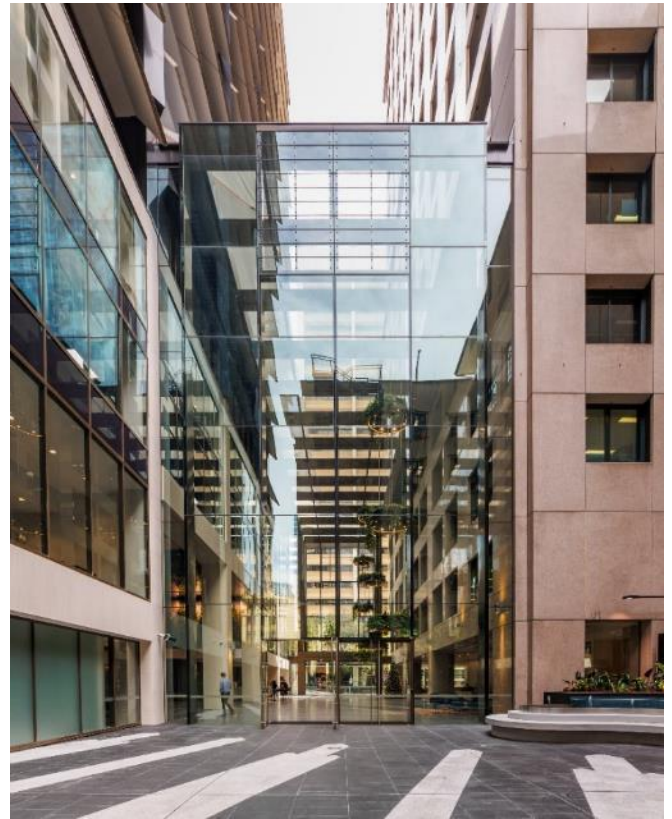
*Before and after: Ann Street lobby*



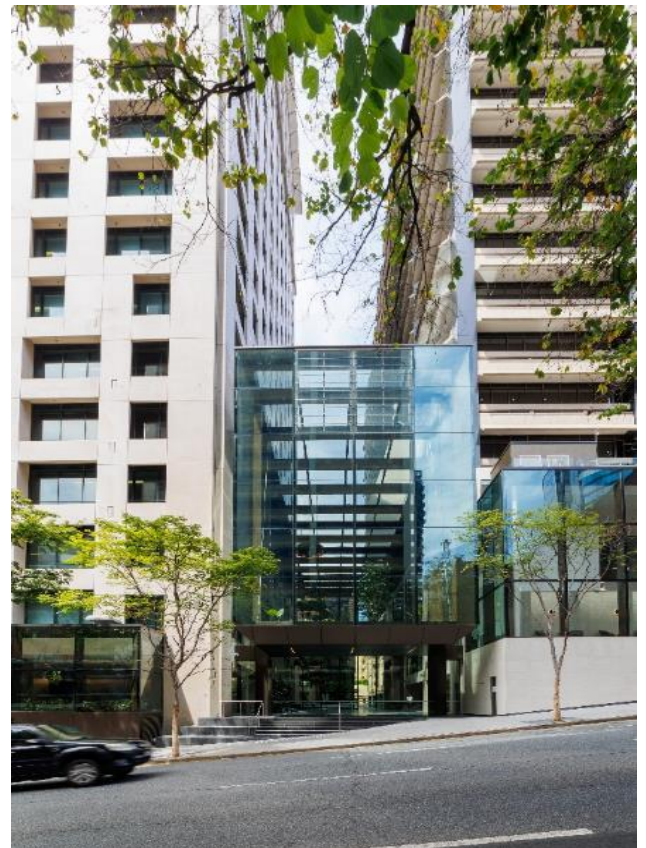
*Before and after: End of Trip facility*



*Before and after: End of Trip facility*



*Atrium looking towards Creek Street during construction and after*



*Atrium looking towards the courtyard during construction and after*



*Creek Street façade*



*Adelaide Street lobby showing the Marco café*



*New concierge desk*



*Bookable Meeting Room looking out to the Atrium*



*External shot of No1 ANZAC Square showing new façade to 295 Ann Street*

## **REBRANDING**

On 3 December 2021, the Queensland Treasurer, the Hon. Cameron Dick formally declared the new refurbishment open and also launched the new name for the precinct which is N°1 ANZAC Square. N°1 ANZAC Square was chosen to unify the three (3) buildings which make up the precinct and provide a strong identity for the Property. In using the acronym ANZAC, the Manager consulted with the RSL, Legacy, Brisbane City Council and State Government. The name has been formally approved by the Department of Veteran Affairs.

The rebranding has been well received and is reflected in the signage installed as part of the refurbishment.



*New external signage*



*Opening ceremony for N°1 ANZAC Square*

## ENVIRONMENTAL

Building	Energy	Water	Expiry
140 Creek St	5 Stars - ★★★★★	4.5 Stars - ★★★★★	June 2022
295 Ann St	5 Stars - ★★★★★	4 Stars - ★★★★★	July 2022
232 Adelaide St	5 Stars - ★★★★★	4 Stars - ★★★★★	July 2022

## COVID-19 IMPACTS

Physical occupancy trended higher to 70-75% for the majority of the quarter, however the recent Omicron wave in Queensland led to a sharp reduction in occupancy to approximately 5%, with many tenants implementing work from home policies in January 2022. There have been no further extensions to the Code of Conduct (expired 31 December 2020) and tenants on Code deals are now progressively repaying deferred rent.

## FINANCIAL PERFORMANCE

The financial performance of the asset for the period ended 31 December 2021 is outlined in the following table with comparison to the budget reflecting actual new leasing deals (refer to the Trust Financials section for the balance sheet and profit/loss statement).

Financial Summary for the quarter ended 31 December 2021			
	Actual	Budget	Variance
<b>Revenue</b>			
Base Rent	9,797,972	9,890,955	-92,983
Sundry Income	63,513	-	63,513
Recoveries	35,120	121,179	-86,059
<b>Gross Face Rent</b>	<b>9,896,605</b>	<b>10,012,134</b>	<b>- 115,529</b>
<b>Outgoings</b>			
Operational Expenses	-1,547,790	-1,158,293	- 389,496
Statutory Expenses	-706,427	-697,119	- 9,307
<b>Total Outgoings</b>	<b>-2,254,216</b>	<b>-1,855,413</b>	<b>-398,804</b>
<b>Net Face Rent</b>	<b>7,642,389</b>	<b>8,156,722</b>	<b>-514,333</b>
Direct Recharges	-103,176	-19,703	-83,474
Abatements	-704,932	-718,023	13,092
<b>Net Operating Income</b>	<b>6,834,281</b>	<b>7,418,996</b>	<b>-584,715</b>
Finance Costs (incl interest on rental incentives)	-2,153,409	-2,153,409	-
Change in fair value of Investment Property	34,715,530	34,715,530	-
Trust Administration expenses incl management fees	-401,371	-401,371	-
<b>Net Loss before Distribution</b>	<b>38,995,030</b>	<b>39,579,745</b>	<b>-584,715</b>
Accounting Adjustments			
Amortisation of Debt Issue Cost	103,002	103,002	-
Change in fair value of Investment Property	-34,705,530	-34,705,530	-
Other adjustments (incl. ground floor refurb. capex)	407,498	407,498	-
<b>Distributable profit</b>	<b>4,800,000</b>	<b>5,384,715</b>	<b>-584,715</b>
Distribution	4,800,000		
Annualised Return	8.00%		

In comparing the actual performance to budget, the Manager notes the following:

- Base rent is lower due to leases budgeted that are yet to commence.
- Sundry Income represents air-conditioning and electricity profit.
- Recoveries are lower due to adjustment from FY 2021 outgoings – refund to one tenant.
- Outgoings at 140 Creek Street and 295 Ann Street for the quarter are slightly higher due to increased repairs & maintenance and night security during construction.
- Note the Outgoings are still on track to meet budget on a whole year basis. Variance in direct recharges is due to timing in recharge invoices.

## DISTRIBUTIONS

The monthly distribution for the December 2021 quarter was 8% (annualised). The distribution of 8% (annualised) for the period ended December 2021 has been paid monthly throughout the quarter.

Distributions are forecast to remain at 8% for the March 2022 quarter.

## DEBT

The total outstanding debt facility as at 31 December 2021 is \$240 million. The Manager confirms that all loan covenants were met over the period.

## MARKET UPDATE

- |                               |  |
|-------------------------------|--|
| <b>Vacancy</b>                | <ul style="list-style-type: none"> <li>▪ Vacancy is expected to peak in 2022 at 16.3% with the completion of 80 Ann Street, which will produce backfill vacancies as pre-committed tenants relocate.</li> <li>▪ The Brisbane market has avoided major sub-lease impact through COVID-19, with the PCA reporting only 1.2%.</li> </ul>  |
| <b>Demand</b>                 | <ul style="list-style-type: none"> <li>▪ Smaller tenant (&lt;500sqm) demand is strong with SME tenants continuing to take up spec suites.</li> <li>▪ Medium tenant (500-1,500sqm) demand has been steady with an increasing number of leasing briefs issued and a number of these tenants have started making leasing decisions for both fitted and non-fitted space for 2022 requirements.</li> <li>▪ Large tenants (2,000sqm+) activity increased over the quarter with a number of large requirements being released to the market. However, decision making timeframes for large tenants is still protracted.</li> </ul> |
| <b>Supply</b>                 | <ul style="list-style-type: none"> <li>▪ The major available supply is the recently completed 300 George Street (approx. 25,000sqm remaining) and Midtown Centre (23,500sqm remaining).</li> <li>▪ The only building currently under construction is 80 Ann Street, expected to be completed in mid-2022 (close to fully leased).</li> <li>▪ The new development at 205 North Quay for the DHS requirement (35,000-40,000sqm) has commenced construction.</li> <li>▪ No other mooted projects are expected to commence without a significant precommitment, with availability post 2024.</li> </ul>                          |
| <b>Rents &amp; Incentives</b> | <ul style="list-style-type: none"> <li>▪ Generally, face rents have remained steady with A Grade at \$650-800/sqm and Premium Grade at \$875-950/sqm.</li> <li>▪ Incentive levels remain elevated at 45%+ as landlords are bidding aggressively for the limited tenant requirements in the market.</li> </ul>  |

## OUTLOOK

Key milestones expected in the March 2022 quarter are:

- Progressing discussions with prospective tenants on Level 1, 295 Ann Street
- Active management of upcoming expiries
- Exploring a number of ESG initiatives for the building

## NEXT QUARTERLY REPORT



The online portal at Automic Group makes it easier to stay on top of your AsheMorgan holdings. Automic allows you to update and manage your details, view investment status and download your unitholder statements and other information.

If you are yet to create your Automic account, it is important you do so to ensure you are able to access all information. Please go to [Automic Investor Portal](#) and register as a new user for AM 166 CREEK STREET EQUITY NO.2 UNIT TRUST using your Holder Number (HIN/SRN).

If you have misplaced your Holder Number or require any assistance, please contact Automic by telephone on 1300 288 664 (within Australia) or +61 2 9698 5414 (international) or by email at [hello@automicgroup.com.au](mailto:hello@automicgroup.com.au). Alternatively, please contact Edward Madden on +61 2 9240 1093 or by email at [emadden@ashemorgan.com.au](mailto:emadden@ashemorgan.com.au)

The next quarterly investor update will be in April 2022 also via Automic.

## TRUST FINANCIALS

### AM 166 Creek Street Investment Unit Trust

#### Balance Sheet

As at 31 December 2021

	31 December 2021	30 June 2021
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,218,715	13,252,535
Accounts receivable	10,227,077	7,942,622
Prepayments	1,164,465	358,114
<b>Total current Assets</b>	<b>14,610,257</b>	<b>21,553,271</b>
<b>Non-current Assets</b>		
Investment property	546,402,591	488,130,752
<b>Total non-current Assets</b>	<b>546,402,591</b>	<b>488,130,752</b>
<b>TOTAL ASSETS</b>	<b>561,012,848</b>	<b>509,684,023</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	4,946,734	6,604,055
<b>Total Current Liabilities</b>	<b>4,946,734</b>	<b>6,604,055</b>
<b>Non-current Liabilities</b>		
Finance liabilities	240,000,000	235,000,000
Unamortised borrowing costs	(2,147,096)	(2,364,082)
Provisions	21,110,000	-
<b>Total Non-current Liabilities</b>	<b>258,962,904</b>	<b>232,635,918</b>
<b>TOTAL LIABILITIES</b>	<b>263,909,638</b>	<b>239,239,973</b>
<b>TOTAL NET ASSETS</b>	<b>297,103,210</b>	<b>270,444,050</b>
<b>EQUITY</b>		
Contributed capital	240,000,000	238,745,215
Retained Earnings/ (Accumulated Losses)	31,698,835	(11,166,970)
Current Year Profit	25,404,375	42,865,805
<b>TOTAL EQUITY</b>	<b>297,103,210</b>	<b>270,444,050</b>

#### Income Statement

For the period ended 31 December 2021

	31 December 2021	31 December 2020
<b>Gross Revenue</b>		
Rental income and outgoings recoveries	19,208,640	18,496,158
<b>Cost of Sales</b>		
Property outgoings	(4,451,163)	(4,015,635)
<b>Net Operating Income</b>	<b>14,757,477</b>	<b>14,480,523</b>
Fair value gain on investment properties	25,128,989	15,214,890
Finance cost	(4,019,717)	(4,110,687)
Other operating expenses	(862,374)	(693,365)
<b>Net profit for the period</b>	<b>35,004,375</b>	<b>24,891,361</b>
Trust distributions paid/provided	9,600,000	7,997,049
Trust distributions recycled for refurbishment	-	1,902,951
<b>Retained profits at the end of the period</b>	<b>25,404,375</b>	<b>14,991,361</b>

# INTUITIVE CAPITAL

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