

Message from the Directors

With the end of the Financial Year, we reflect on the last 12 months at Primewest. By way of an update on some of our recently established Trusts, we are pleased to report we have now fully invested the Primewest Industrial Income Trust No.2 and established the Primewest Diversified Income Trust No2 with the first acquisition being 20 Parkland Road, Herdsman and have recently also acquired 191-197 Main Road (Corner Derwent Park Road), Moonah, Tasmania (Harvey Norman).

We have recently sold Primewest Midland, which we developed in 2011 into a 9,727 sqm large format retail property and achieved a strong investment outcome for that Trust.

Western Australia is still proving to be the most challenging market. However, with a high degree of focus from all members of our asset management team, we continue to complete numerous new leasing transactions and have maintained very high tenant retention.

Recent higher iron ore prices have improved sentiment in the Perth CBD somewhat and JLL are forecasting stronger net effective rental growth to occur, greater than Sydney and Melbourne, albeit not until 2020 – 2023.

The other states are generally performing more strongly but we

continue to work hard with agents, tenant representatives and directly with tenants to ensure that we meet the market and attract occupiers to our properties. We also continue to re-invest into our assets and ensure that our sitting tenants are provided with a high level of service and amenity. Some of our recent leasing successes across the portfolio are highlighted in this newsletter.

We continue to search for new acquisitions and are currently looking to establish a further Industrial Trust and are seeking to secure some initial suitable assets to seed this new Trust. In addition we have decided to look to invest in the US market with a view to establishing a US Investment Trust, mainly focused on industrial and suburban office assets. We will keep you informed in this regard.

With all the recent hype about renewable energy, we thought you would be interested to know that we are piloting solar projects on a few of our assets to assess their effectiveness. Primewest have engaged a power and water usage consultant for many years to optimise performance and our investment return across our portfolio, but believe solar and other initiatives have the potential to make further enhancements. We will report to you in due course about the findings from some of these new initiatives.

From a staffing perspective, we are delighted to advise that Mark Werrett has recently joined us as Head of Capital Transactions. We have known Mark for over 20 years and he brings a wealth of property experience, particularly retail, into the role. Mark will be based in Melbourne and he will work very closely with Will Johns, our Manager of Capital Transactions, who is based in our Sydney office.

With the recent legislation changes affecting Superannuation, we have decided to re-value most of the assets in the portfolio and these values will be advised to you in due course. This should then allow investors to make any necessary changes to the composition of their Super Funds.

It is our intention to again be a major sponsor and organiser with the Lexus of Perth to support The Fathering Project www.thefatheringproject.org Corporate Bike Ride. Last year the event successfully raised \$40,000 and we hope you will again support this charity event and perhaps even join us in lycra for the ride. The other major charity which we support is Australian Doctors for Africa and a link to their website is attached for your interest www.ausdocafrica.org.

We hope you enjoy this newsletter update and as always, we are open to your feedback or queries.



Acquisition

Diversified Income Trust No 2

Primewest successfully launches second diversified trust

Primewest is very pleased to have successfully launched the Primewest Diversified Income Trust No 2 which will acquire quality, income producing assets across sectors and locations whilst providing a diversified income stream from a range of tenants. The Trust's initial purchase was a fully leased office building in Osborne Park, Perth. The building is a well located, modern A-Grade office building in Herdsman Business Park. The building provides strong sustainability credentials and convenient access to local public transport

and the Mitchell Freeway. In addition to this asset, we have also acquired a fully leased, high quality large format retail centre in Moonah, Tasmania. The property is anchored by Harvey Norman along with two other publicly listed retailers providing a 8+ year WALE. The property totals 6,400 sqm NLA and was built in 2006. Primewest are very pleased with these two acquisitions and it is anticipated the Trust will target cash returns of between 7.25 - 8.25% pa (once fully invested). There will be further acquisitions made by the Trust and we will update investors when these potential transactions are under contract.

Staff Profile

Mark Werrett

Mark joined the Primewest team in May 2017 as Head of Capital Transactions and will be based in Melbourne. He is a fully licensed agent and has over 30 years experience in retail and commercial property.

Mark is a West Australian who has worked as an agent for Primewest for many years both managing and selling

properties and he brings a wealth of experience and contacts with him to strengthen our Capital Transactions Team.

Prior to joining Primewest Mark was Director of Retail Investment Services at Colliers in Perth and was involved in property transactions across Australia.

His addition to our team will enable our continuing focus on identifying suitable acquisitions across Australia.



Divestment

Primewest Midland

Primewest is pleased to confirm the sale of 5 Clayton Street, Midland, a large format retail centre located in Western Australia. The 9,727 sqm property sold for \$30.75 million to Australasian Property Investments Limited (APIL). The

1.73 hectare landholding was purchased from the Midland Redevelopment Authority for around \$10 million. A further \$10 million was spent developing the large format retail complex over two stages. It is now fully leased to blue chip tenants including Super Amart, Barbeques Galore, Retravision and the Department of Transport, which we recently secured on a new, long-term lease.

Community

Fathering Project Corporate Ride

Primewest are once again sponsoring the Fathering Project bike ride in October this year. The 63km ride from Lexus of Perth in Osborne Park to the Esplanade Hotel in Fremantle provides riders the opportunity to raise funds for the organisation's school program which aims to promote engagement in the school and community and will in particular go towards their school programs in Armadale.

Last year was a great success and with only 100 places available tickets will be in high demand. Included in the entry fee is a riding jersey valued at \$169. All donations will directly benefit these programs as no administrative costs are deducted. If you would like to register please visit the Fathering Project Website:
<http://thefatheringproject.wixsite.com/corporateride2017>



Development

Exchange Tower

The capital expenditure program on the property continues following the fantastic outcome we achieved with the lobby refurbishment which was completed in late December 2016. The major projects planned for the 2017/18 financial year includes the forecourt refurbishment and the commencement of the lift upgrade.

The forecourt refurbishment will include the removal of the 'glass fishbowl' and reinstatement of the original building façade, some re-grading of the space to incorporate new landscaping and paving including a new membrane to repair

water ingress issues into the car park and a new architectural feature canopy. The total budget for the works is \$2.7 m; subject to the relevant approvals being obtained, we plan to commence construction in November 2017 and reach practical completion in February 2018.

The lift tender document will be issued in July 2017, with an order to be placed in September 2017 ahead of a commencement on site in March 2018. The lifts will be the latest generation and will feature destination controls which is now an important feature for all modern office occupiers.

Leasing update

Port Village, Port Douglas

We negotiated with Calypso Reef Charters to renew their lease for four years commencing December 2016.

Dernancourt Shopping Centre

We successfully negotiated with Dernancourt Dry Cleaners to renew their lease for five years commencing November 2016.

Brassall Shopping Centre

We have committed Brassall Butchers to lease shop 2 for five years commencing November 2016.

We've also agreed five year lease renewals with Ipswich City Council, Gaye's Hair Salon and Gaye's Barber Shop and Bendigo Bank from June 2017.

Tyne Square

We successfully agreed a lease renewal with Tyne Square Medical Centre for five years commencing March 2017.

Southern River

We negotiated a new lease with Opal Finance to lease shop 1A for three years commencing April 2017.

We agreed a lease renewal with Ambient Hair for a further five years from February 2017.

We negotiated with Living Emporium to extend their lease for two years from July 2017.

South Central

We secured national retailer Nick Scali to lease the last 1,973sqm vacancy in the centre committing them to a new seven year lease term commencing January 2017.

We successfully agreed extension of leases with Beacon Equipment, Clark Rubber and Curtain Wonderland.

60 Light Square

We agreed a new five year lease with the University of South Australia to lease the whole of level 2 commencing September 2017.

We leased the balance of level 3 (343.60sqm) to the Commonwealth Government of Australia which will accommodate the Australian Building Construction Commission. The six year and seven month lease commenced June 2017.

Primewest Auburn

We successfully agreed Heads of Agreement with major tenants Freedom (2,498sqm) and By DeZign (2,959sqm) committing them both to ten years commencing in May and September 2017 respectively.

We also agreed seven year lease renewals with The Outdoor Furniture Specialists and Supreme Furniture.

Bunbury Centrepoint

We committed the Biltong Kiosk to a new five year lease in shop 43 commencing June 2017. Noni B have agreed to a new five year lease commencing August 2017.

616 St Kilda Road

We agreed a new lease with Dixon Hospitality for level 3 (1,255sqm), the tenant committed to five years commencing September 2016.

607 Bourke Street

We secured a tenant for 600sqm on level 16 committing Victorian Interpreting and Translating Services to a new five year lease.

Leasing update (Continued)

We recently agreed a new five year lease with Selection Partners over 252sqm on level 4 commencing July 2017.

We agreed a new five year lease with Zackgroup for 350sqm on level 8 commencing August 2017.

Exchange Tower

We have executed new leases with Kansai Electric Power on level 27 (298sqm) and Sumitomo Mitsui Banking Corporation on level 19 (179sqm). Both tenants have entered into new five year lease terms.

114 – 120 Old Pittwater Rd

Fujifilm have renewed their lease at 114 Old Pittwater Road for both their level one office space (2,826sqm) and part of their ground floor tenancy (765sqm). The remainder of their ground floor space (1,000sqm) has been leased to Service NSW on a new five year lease and we have also welcomed Polestar Pilates to the property who occupy the ex-Ripcurl tenancy.

Ozsale have also recently signed a lease for level 3 of 120 Old Pittwater Road, the tenant will occupy the fully refurbished 1,790sqm floor later in 2017.

308 Queen & 88 Creek Street

We have agreed to new leases with the Turner Group and Trenert Partners who will occupy Mezzanine level 1 in 88 Creek Street. Turner Group (191sqm) have agreed to a eight year lease and Trenert Partners (201sqm) have committed to five years tenure.

Primewest Northlands

We have agreed terms with The Reject Shop for a new five year lease. The final two vacancies at the centre are close to being leased to an Asian takeaway and Smoke Mart.

Primewest Gwelup

We are pleased to advise that the ex-Fruits & More tenancy has now been filled with a commercial office tenant at the rear, a hearing clinic and an Italian style delicatessen adjacent to the Farmer Jacks entry.

Primewest Broome

Retravision has agreed to fill the ex-Dick Smiths tenancy. The tenant operates a number of regional Retravision shops and depending on the performance of

the site may consider taking a longer term lease. We are also in discussions with Optus who have indicated that they now wish to start operations within the town and Smoke Mart look set to sign a new five year lease.

Belmont Citi

We have leased an external tenancy fronting the car park to Optus; the five year term commenced in April 2017. We have also recently extended the Millers fashion lease for two years and facilitated an assignment of lease for the fish & chip shop.

251 St Georges Tce

We we have secured three new tenants within the building. Most notable is ACIC (Australian Criminal Intelligence Commission) who have taken 780sqm across part level 7 on a 10 year term. This is a great result for the asset as we believe long term that ACIC will grow within the building. From discussions with ACIC we understand that a related Federal Government agency will likely require office accommodation in the short term, of which they have earmarked the balance 387sqm on level 7.

Engineering consultants K2 Technology have taken part level 1 (437sqm) on a four year term utilising the pre-existing fitout on the floor. The subdivision and reconfiguration of the existing full floor fitout to accommodate both K2 Technology and Planning Solutions has resulted in a well presented, fully leased floor within the building which is a great showcase for future leasing inspections. We will look to undertake similar works to level 2 on expiry of the Brookfield lease to assist in leasing.

619 Murray St

We have renewed the Australian Federal Police (AFP) lease for a period of 3 years from 1 March 2017. AFP retained the full 4,050sqm along with all 84 carbays.

Australia Place

We have leased 1,235sqm on level 2 to Resolute Mining for 7 years commencing January 2017.

IBM

Medtronic have executed their lease and completed their fitout over 600sqm on level 3. The modern fitout looks great and is a showcase for future leasing within the building.

380a Scarborough Beach Rd

We have secured a new 7 year lease to Chemist Warehouse on the ground floor of the property. Furthermore, we have commenced redevelopment works on level 1 which will create an independent office entry/foyer along with a lift. We are targeting office or medical uses for this tenancy and are confident of a result shortly.

Primewest Cannington

Nick Scali has taken over the Rays Outdoors tenancy with a seven year lease, adding another A grade listed covenant to the centre. The deal to Nick Scali incorporated taking approximately 300sqm from the adjoining Retravision tenancy. Reducing the Retravision footprint will reduce their occupancy cost and hopefully ensure their long term viability and tenure.

Primewest Melville

We have finalised a five year lease to the national brand, The Outdoor Furniture Specialists.

We have also leased Tenancy 15 to Plush furniture. Plush are a brand of listed retailer Steinhoff, who also own well known brands, Fantastic Furniture and Freedom Furniture. Melville was one of their initial 3 store roll out trial into WA and by all reports it has been successful to date. Again a great addition to the tenancy mix.

We have leased 426sqm to Hobbytech.

Primewest North Lakes

We have agreed terms with international discount fashion retailer TK Maxx to occupy 2,000sqm within Stage 3 adjoining the Aldi development site. With over 2,300 stores in 9 countries the additional of this retailer is a great outcome for the centre and will assist in attracting strong retailers to the centre.

Primewest Osborne Park

The redevelopment works of the old Fantastic Furniture tenancy is now complete and King Living (1,100sqm) and Plush (900sqm) have taken occupation. The refurbishment of this dated building and addition of the national retailers has significantly improved the presentation and tenancy mix within the centre and we are very pleased with the result.