

Message from the Directors

With another Christmas fast approaching we take the opportunity to reflect on the past year's events.

Overall 2017 proved to be a successful year across the portfolio and we believe that there are some early signs of improvement appearing in the Western Australian economy. Interestingly the recent WA Property Council Vacancy Statistics showed a significant drop in Premium Grade office from 16% in January 2017 down to 11.7% in July 2017 and anecdotally it may now be as low as 6.2%. We would expect this to positively filter through to the lower grades of office, particularly A and B grades.

We have been acquisitive throughout the year having acquired over \$500 million of assets both on and off market and have been able to secure some quality assets across a range of sectors nationally including office, retail, large format retail and

industrial. Most recently we negotiated the purchase of three strongly trading Large Format Retail assets. Ipswich Homebase and Dandenong Home Quarter were purchased to establish the Primewest Large Format Retail Trust No. 1 and West Gosford was acquired by the existing Primewest 265 Parramatta Road Trust and are all scheduled to settle prior to Christmas.

It is our intention next year to look to continue to source suitable stabilised assets as well as counter cyclical investments but will also seek to identify select development opportunities which we feel can deliver superior risk adjusted returns.

As previously outlined we are close to launching our US Fund which will be focused on acquiring high quality and well located assets with an opportunity to proactively manage these to increase capital value. We have enclosed some further information in this newsletter and will continue to keep you informed of our progress.

Leasing continues to be a key focus

across the assets and in July we bolstered our leasing team with the appointment of Jemma Hutchinson to head up our Office Leasing. Jemma comes with a broad range of office leasing experience nationally and has already been a great addition to the Primewest team.

We also recently employed a new property funds analyst, Sarah Jacobs to work in the Capital Transactions team. Sarah is a qualified Valuer and came from the Knight Frank Institutional Sales team. She is already making a valuable contribution in this important part of the business.

Primewest together with Lexus of Perth were again the major sponsors for the Fathering Project Community Ride which successfully raised \$40,000 for this very worthwhile charity. We also continued to support our other chosen charities; Australian Doctors for Africa and Foodbank.

We send you all our best wishes for the festive season and thank you all for your continued support.



ACQUISITIONS

U.S. Fund

Primewest is close to establishing its first US Fund to acquire a portfolio of quality property assets and have agreed to form a Joint Venture with Protea Properties who are based in San Diego. Primewest are presently evaluating a range of investment opportunities in these markets in conjunction with Protea Properties and are looking to purchase stable income producing assets that will achieve investment returns in the order of 7%.

We are mainly focussed on targeting office, industrial and large format retail assets with major multi national and national tenants. The Directors of Protea Properties are highly experienced in property development and investment in the US

and are currently involved in undertaking the major waterfront development in San Diego known as Seaport. They also own a successful property syndication business with US\$300m of assets under management in which they co-invest and have a very similar investment philosophy to Primewest. They selectively source assets that have the potential to grow beyond standard benchmarks and focus heavily on strategic asset management ensuring assets are well maintained and upgraded to optimise investor returns.

We look forward to providing further information as we progress with this new opportunity.



Primewest Large Format Retail Trust No. 1

Primewest have formed and fully subscribed the Primewest Large Format Retail Trust No. 1 and are due to settle on two properties in VIC and QLD. The first asset is Dandenong Home Quarter, 55 - 67 Frankston Dandenong Road located in the well established area of Dandenong South which is one of Victoria's largest economic hubs and fastest growing region. This single level development of 12,234 m² is fully leased and anchored by a number of national retailers including: Officeworks, The Good Guys, Supercheap Auto and

Amart Sports with 98% of the income underwritten by national and listed tenants. The second asset is Ipswich Homebase, 339 Brisbane St, West Ipswich, QLD. The Centre opened in 2009 and provides 12,903 m² of NLA which is anchored by a number of major national tenants including: TK Maxx, Fantastic Furniture, Spotlight, Chemist Warehouse, Best Friend's Pets and IGA. Significant residential growth is anticipated throughout the Western Corridor which should benefit the property.



COMMUNITY

Fathering Project Corporate Ride

The Fathering Project Corporate Ride was another success this year with all 100 places filled in the ride. The event was held on 28th October and started at Lexus of Perth, finishing at the Esplanade Hotel in Fremantle where riders were able to enjoy a much deserved breakfast. Primewest and Lexus of Perth were instrumental in putting on the ride with generous support from NAB, JLL, Rydges and Deloitte. The event reached its target of raising a total of \$40,000 which will benefit the schools program being implemented by this organisation. We look forward to participating again next year.

STAFF PROFILE

Jemma Hutchinson

Jemma joined the Primewest team in July 2017 as Office Leasing Manager. As a further sign of the changing nature of the commercial property market, Primewest has appointed Jemma as its first in-house Office Leasing Agent to work with existing and potential tenants. Jemma was most recently with Knight Frank's office leasing team in Melbourne following four years at Regus serviced offices as General Manager. Jemma has a detailed

knowledge of the leasing market and her proactive approach has seen her complete a multitude of leasing transactions as well as building strong relationships along the way. Large property owners are becoming more active in working closely with their valued tenants. Jemma's new role as Office Leasing Manager for Primewest will provide yet another level of service to the company's investors, its assets and its tenants.

Sarah Jacobs

Sarah joined the Primewest team in September 2017 as Funds Analyst. Sarah's role focuses on acquisitions, investor relationships and portfolio analysis. Prior to joining Primewest, Sarah worked at Knight Frank as a Licensed Valuer and the senior analyst

in the institutional sales team. Sarah graduated from Curtin University with a Bachelor of Commerce (Property & Marketing) and Post Graduate Degree in Property Valuation. Sarah holds her Land Valuer and REIWA Sales Representative Licenses.

DEVELOPMENTS

114 – 120 Old Pittwater Road, Brookvale

114 – 120 Old Pittwater Road, Brookvale has been going through some major changes in the past twelve months that has involved the introduction of several new tenants at the site and a \$2.5 m refurbishment of 120 Old Pittwater Road.

At 114 Old Pittwater Road we have introduced Service NSW, Polestar Pilates and Woolworths to the site; these new deals have meant that the property is fully leased. The deal to Woolworths commences in December 2017 and the major supermarket retailer has leased all of the 6,213 m² warehouse on level two of the property. The warehouse is being fitted out as a traditional supermarket however will not be open to the public; it will be used to satisfy the Woolworths online sales in the northern beaches catchment and it is a critical part of the 'last-mile' logistics strategy that many of Australia's leading retailers are now putting into place to satisfy customer demand. The online store will be serviced by twenty loading docks and will operate 24 hours a day, 7 days a

week; it is a significant employment driver for the area and is forecast to generate 600 new jobs in Brookvale.

The refurbishment of 120 Old Pittwater Road is almost complete. A lobby refurbishment to the rooftop car park was completed along with a major overhaul of the main ground floor lobby; the existing improvements were demolished and a new modern commercial office lobby and café constructed with an alfresco dining component to enhance the tenant amenity at the property. On floor upgrades include a new ceiling grid, tiles, bathrooms, carpet and lighting. Prior to completing the development we successfully secured Ozsale for a new lease over level 3 (1,790 m²), Fulton Hogan are occupying level 2A (550 m²) on a short term lease and only 437 m² is left available for lease on level 2B. We have also agreed terms with a new café operator who is well known in the area, the fitout is likely to be completed and ready for trade from mid-January 2018.



LEASING UPDATE

251 St Georges Terrace

We have secured a new 5 year lease to Bhagwan Marine over level 3 for 1,105m² commencing in December 2017.

308 Queen St and 88 Creek St

Blight Rayner who currently occupy part level 2 in 88 Creek Street have agreed to expand their lease over the remaining 142m². We have also agreed terms for a KD Public Relations to occupy Suite 2.4 in 308 Queen Street on a 3 year lease.

380A Scarborough Beach Road

Terms have been agreed with Start Right Homes to lease level 1 (373m²) for 5 years commencing on 1 March 2018. The building has recently undergone a refurbishment incorporating a new passenger lift which has proven successful in leasing the asset.

Australia Place

We secured Hexagon Mining for the whole of level 6 (1,228m²) on a 7 year term commencing on 1 March 2018. We delivered the speculative fit-out which proved successful in attracting the tenant. We have also secured Subsea7 for the whole of level 7 (1,228m²) on a 5 year term commencing 14 February 2018. We delivered the speculative fit-out which proved successful to attracting the tenant. Terms have been agreed with VGW Holdings Limited for the whole of level 11 & 12 (2,129m²) on a 7 year term commencing 1 July 2018. This building is now 96% leased which is a great result in the current market.

Belmont Citi

Terms have recently been agreed with our pharmacist to expand their tenancy into an additional 133m². Renewals have also been agreed with Coles, Flight Centre, Mayfair Jewellers, Up roar fashion and the sushi kiosk.

Broome Boulevard

We have secured a new butcher to lease 2 shops as well as converting the surf shop from a pop-up store to a new long term lease.

Edgeworth Town Square Shopping Centre

Terms are close to being finalised to introduce an Australia Post outlet to the centre in early 2018. We have also renewed the NSW State Government in 1060m² of level 1, Building C and Subway.

Exchange Tower

Positive net absorption continues at the property, in the past six months we have completed deals with new tenants GA Legal (383m²), Victory Corporate Serviced Offices (1,041m²) and Far East Consortium (130m²). We have also relocated Morgan Stanley from level 11 to level 18 into 560m² and Allen & Overy from part levels 27 and 29 to all of level 11 (1,498m²). Quayside Chambers have recently agreed to take an additional 250m² on level 36.

IBM Centre

We have agreed a 5 year lease extension to CHC Helicopters over 1,072m² and have also negotiated with LWP Property to lease 515m² on level 2 for a 5 year term commencing in December 2017.

Primewest Melville

We have agreed to relocate Adairs into a 1,106m² tenancy from their existing 426m² tenancy on an 8 year lease which is a great result for the centre. Australia Post have taken the Adairs tenancy (426m²) on a 10 year lease commencing February 2018. Terms have been agreed subject to Lessee Board approval with Toys R Us to lease 2,576m² within the ex Minks Furniture and Baby Bounce tenancy. We are anticipating a lease commencement date in March 2018. Spotlight have extended their lease of their 3,538m² tenancy for a further 10 years from 8 December 2017. Subject to the above deals the centre will be 100% leased.

Primewest Osborne Park

Impressions Furniture have taken the last vacancy in the Centre totalling 1,500m² on a 5 year term commencing February 2018.

Primewest Rutherford

We have been successful in securing Baby Bunting on a new 10 year lease. We have also leased a smaller showroom to Kitchen Connections on a long term lease.

The Quadrant

Two new commonwealth government tenants totalling 1,063m² have agreed terms. The Attorney General's office has taken occupation this month in 517m² on level 15 and an undisclosed commonwealth government tenant has agreed to take a lease over part level 5. A café operator will take occupation in the lobby area shortly after the New Year.

Port Village Shopping Centre

We negotiated with Fresco Juice Bar to renew their lease for two years commencing in December 2017.

Dernancourt Shopping Centre

We successfully negotiated with BWS Liquor to renew their lease for five years commencing in May 2018.

Brassall Shopping Centre

We have agreed a seven year lease renewal with Brassall News commencing in December 2017.

Southern River

We recently agreed a new five year lease with Tribeca & Co Café commencing in March 2018.

We also agreed lease renewals with Save the Children and Good Samaritans for five years commencing respectively August and December 2017.

Primewest Auburn Megamall

Element Lighting vacated shop 13 during September 2017. We are pleased to have now leased shop 13 to Boori Furniture for five years commencing in October 2017.

We have also agreed a new five year lease to Carpet Call commencing in February 2018.

616 St Kilda Road

We have agreed a new six year lease to Bental Partners commencing in December 2017 for 260 m² on level 8.

607 Bourke Street

We have secured a tenant for 723 m² on level 17 committing Australian Marine Technologies to a new four year lease.

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