

ASX Announcement

23 December 2019

Elanor Commercial Property Fund

Acquisition of Garema Court, 140-180 City Walk, Canberra, ACT

- Elanor Commercial Property Fund has acquired Garema Court, an A Grade office building located in the CBD of Canberra, for \$71.5 million
- Following the acquisition, ECF will have a portfolio of seven investment grade commercial properties valued at \$378 million
- The acquisition will be fully debt funded resulting in Fund gearing of approximately 36%
- The transaction is strongly accretive and is forecast to result in an annualised proforma FFO yield of approximately 9.5% against the FY21 PDS forecast FFO yield of 8.4%

Garema Court Acquisition

Elanor Commercial Property Fund (“ECF” or “Fund”) has acquired Garema Court in Canberra, Australian Capital Territory, for \$71.5 million. Settlement is expected to occur on 28 February 2020.

Garema Court is a seven level, A Grade office building with ground floor retail situated in a premium location in the Civic precinct of the Canberra CBD. The asset has a total NLA of 11,438 sqm and is located in a precinct benefiting from significant amenity and public transport, including the new light rail terminus.

The building is 99% occupied. The building’s office space is wholly leased to The Commonwealth of Australia with a March 2024 expiry.

The key acquisition metrics of Garema Court are summarised below.

Valuation	\$71.5 million
Capitalisation Rate	6.50%
Passing Yield	7.64%
Current Occupancy	99%
Weighted Average Lease Expiry	4.2 Years
Total Net Lettable Area	11,438 square metres

Funding

The acquisition of Garema Court will be fully debt funded resulting in Fund gearing of approximately 36%, within the targeted gearing range of 30% to 40% as set out in the PDS.

The opportunity to fund the acquisition with debt is strongly accretive to ECF’s forecast FFO yield. The PDS forecast an annualised FFO yield of 8.3% for FY20 and 8.4% for FY21. Proforma FFO yield for FY21 post the acquisition of Garema Court, on a comparable basis to the FY21 FFO yield contained in the PDS, is forecast at approximately 9.5%.

ENN CEO, Glenn Willis, said: “The acquisition of Garema Court is very positive for ECF. Garema Court is a high investment grade commercial property in the Canberra CBD, wholly leased to the Commonwealth Government. This initial acquisition significantly improves the FFO yield of the Fund against the Fund’s PDS forecast as a result of the opportunity to fund the acquisition with debt, on attractive terms, whilst maintaining ECF’s conservative gearing of approximately 36%.”

Benefits to ECF

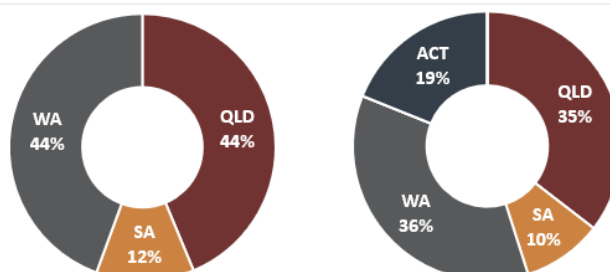
The acquisition of Garema Court will:

- Increase ECF’s Portfolio to seven investment grade commercial properties located in Brisbane, Perth, Canberra and Adelaide, with a combined value of \$378 million
- Further improves ECF’s geographic diversification
- Further improves ECF’s tenant quality with significant additional income being derived from the Commonwealth of Australia
- Increases Portfolio occupancy to 97.3%

ECF’s Fund Manager, David Burgess, said: “The acquisition of Garema Court is in line with ECF’s disciplined investment strategy to invest in high investment quality assets with strong cash flows. The property’s 4-year Commonwealth Government lease and its prime location positions it as a strong investment for ECF.”

	ECF (current)	ECF + Garema Court
Number of Assets	6	7
Portfolio Value	\$306 million	\$377 million
Weighted Average Capitalisation Rate	6.96%	6.87%

Geographic Split (by Value)



The New Finance Facility

The Manager has negotiated a debt facility of \$140 million from a major Australian Bank. This facility will be secured by all properties currently within the portfolio. The interest rate for the facility is forecast to be significantly below the forecast average interest rate of 3% per annum reflected in the PDS forecasts.

For further information regard this announcement please contact:

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