Core Property
Fund Research & Ratings
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Unlisted Property Trust Report

Primewest Media Trust

April 2020

Office/Industrial property with 15-year lease to media group targeting 8.0% p.a. distributions

For Wholesale Investors only

Primewest Media Trust

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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Primewest Media Trust

April 2020

The Primewest Media Trust ("the Trust") is an unlisted property trust that is seeking to invest in the sale and leaseback of the office/industrial asset at 50-54 Hasler Road and 44 Walters Drive, Osborne Park WA ("the Property"). The Trust is managed by Primewest Management Ltd ("the Manager", "the Trustee") which has an established track record with over $4.0 billion of property under management.

The Trust is seeking to raise $40.0M in equity, which will be used in conjunction with debt to acquire the Property for $75.0M. The senior management of Primewest has indicated that it intends to subscribe for up to 5% of the units on offer, providing an alignment of interest with investors.

The Trust provides an investment into a prominent office/industrial property fully leased to Seven West Media, an ASX-listed media company managing West Australian Newspapers - publisher of the leading newspaper in WA, and Channel Seven - the leading television network in Australia. The 15-year triple net lease with 3.0% p.a. fixed rental increases supports a thesis of predictable rent profile and consequently distributions to investors. Seven West Media is expected to use the proceeds of the sale to pay down debt and improve its balance sheet position.

The Property is considered to be under rented at $101 per sqm, against a comparable market rent of $133 per sqm, which may provide potential for future income and valuation upside.

The Property also has the propspect for future development over the medium to long term. A current planning proposal is being considered to allow a minimum 141,195 sqm of commercial/business and mixed use at the Property, well above the 42,561 sqm currently in place. Core Property's estimates of potential returns from the Trust exclude the value-add from this activity.

The Trust will have a $41.3M debt facility which equates to a Loan-To-Valuation Ratio (LVR) of 55% against an LVR covenant of 60% and an Interest Coverage Ratio (ICR) of 3.7x against a 2.0x ICR covenant. While the LVR is high relative to comparable peers, Core Property estimates the LVR to reduce to below 50% by year four. As such, the Trust has a modest LVR cushion against adverse valuation movements but has a healthy cushion against the bank ICR covenant.

The Trust does not have a fixed term, granting the Manager the discretion to sell the Property when it considers it to be in the best interest of investors. The Manager has, however, recommended an initial investment term of 7 years to June 2027.

The Manager is targeting distributions of 8.0% p.a. for the proposed seven-year initial term, paid monthly.

Fees charged by the Fund are at the lower end of what Core Property has seen in the market (see Fees in Perspective). Based on the Manager's assumptions, Core Property estimates the Trust to deliver an Internal Rate of Return (IRR) of between 9.4% - 12.8% (midpoint 11.2% p.a.) based on +/- 50 bps sensitivities to the cost of debt and terminal capitalisation rates over the assumed seven-year term. The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions. The Manager is targeting a higher IRR of 15.0% based on stronger valuation upside at the Property.

It is important that investors acknowledge that a pandemic caused by the spread of the COVID-19 virus can adversely impact the performance of the Trust amidst significant macroeconomic uncertainty. The duration and severity of the outbreak is uncertain and may negatively impact property values and potentially lower investor returns.

Investor Suitability

Core Property considers the Trust will appeal to investors seeking an attractive distribution yield of 8.0% p.a. supported by a lease to a high-profile media group. Capital growth is expected to be supported by fixed rental increases of 3.0% p.a. with the rental income expected to increase to market levels over the long term. The potential value-add from future development has not been assessed by Core Property but may enhance total returns.

The Trust offers a high income return profile reflective of a higher leverage in the Trust. Income is also derived from one tenant albeit a high-profile media tenant emphasising concentration risk. The Trust is illiquid, with a recommended investment term of seven years however investors should expect to remain invested until the Manager is able to maximize value and sell the Property. As such, the Trust should be considered a long-term investment.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Fund Details

Offer Open:	24 April 2020
Offer Close:	12 May 2020[1]
Min. Investment:	$100,000[2]
Unit Entry Price:	$1.00
Net Tangible Asset per unit:	$0.87
Liquidity:	Illiquid
Forecast Distributions:	FY21: 8.0 cpu
Distribution Frequency:	Monthly
Initial Investment Period:	7 years to June 2027

1. The Trustee may shorten or extend the date at its discretion. A 10% deposit is payable by the Application Close Date of 12 May 2020, with the balance due by 31 May 2020.
2. The Trustee may accept amounts below this at its discretion.

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Fund - Website

www.primewest.biz

Note: This report is based on the Primewest Media Trust Information Memorandum dated 24 April 2020, together with other information provided by Primewest.

Key Considerations

Management Experience: The Manager, Primewest Management Ltd, is a subsidiary of Primewest Group Limited (ASX: PWG), one of Australia's leading real estate funds management businesses. Currently, Primewest manages 80 separate syndicates and funds (totaling $4.0B AUM) across 7 asset classes for over 700 underlying wholesale and high net worth investors. Senior management and staff of Primewest intend to subscribe for up to 5% of the units on offer, on the same terms, providing an alignment of interests for investors.

Trust Strategy: The Trust seeks to provide a regular income stream to investors with the potential for capital growth over the long term through unlocking valuation upside from future development activities on excess land.

Property: The Trust will acquire 50-54 Hasler Road & 44 Walters Drive, Osborne Park WA for $75.0M under a 15-year triple net lease in a sale and leaseback arrangement. The Property is a 5.65 ha site in the prime Herdsman Business Park with 42,561 sqm of Gross Lettable Area (GLA) across office (11,395 sqm) and industrial warehouse (31,166 sqm).

Tenant: The Property serves as the headquarters for West Australian Newspapers, the leading newspaper publication in WA and Channel Seven, the leading television network in Australia. The 15-year triple net lease is supported by a fixed 3.0% annual rent review with 2 x 5-year options to extend. The Property is being sold in a sale and leaseback arrangement with Seven West Media (ASX: SWM) with the proceeds expected to be used by SWM to pay down its debts. SWM provides a corporate guarantee for the tenant under the terms of the lease.

Debt Profile: The Trust expects to borrow $41.3M in debt with a term of up to 3 years at an assumed all-in-cost of debt of 2.60% p.a. The Trust has a higher debt structure with an initial Loan to Valuation Ratio (LVR) of 55%, against an LVR covenant of 60%. The Trustee will need to extend or replace the debt facility over the proposed investment term.

Distributions: The Trust is targeting distributions of 8.0% p.a. paid monthly for the proposed investment term.

Fee Structure: Core Property considers the Trust's fees to at the lower end of what we have seen in the market. The Manager charges one Management Fee of 0.50% p.a. of Gross Asset Value, from which it also funds the Trust's administration and running costs. The Manager is looking to defer its Management Fee in the first year of the Trust to support the forecast distribution. The deferred Management Fee is expected to be amortised and paid to the Manager over future years.

Total Returns: Core Property estimates the Trust to deliver an Internal Rate of Return (IRR) of 9.4% to 12.8% (midpoint 11.2% p.a.) assuming a seven-year term and based on the Trust's sensitivities (+/- 50 bps sensitivity to the cost of debt and capitalisation rates, see the Financial Analysis section).

The Manager is targeting a higher IRR of 15.0% based on stronger valuation upside for the Property. Investors should be aware the Fund is exposed to a capital gain or loss based on the sale price of the current and any future assets in the portfolio, and overall market conditions, which may deliver an IRR outside this range.

COVID-19 Impact: Investors should be aware that property valuations may be impacted by short term volatility as a result of the impact of COVID-19 on investment markets. This may affect the long-term capital returns of the Fund. It is also important to recognise that property markets are cyclical as history has proven. Over a 25-year history of measuring returns, typically, 70% - 80% of total returns are derived via income returns which is an important feature for long-duration assets such as property.

Trust Term/Liquidity: The Trust does not have a specified end date however the Manager is targeting an initial term of seven years to June 2027. The Manager may extend the Trust for 12-months at its discretion and an extension beyond this term will require an ordinary resolution of unitholders. Investors must accept that by their very nature, unlisted property trusts are illiquid. The Manager does not provide any withdrawal facility. Investors should consider the Trust to be a long-term investment and be willing to remain fully invested until the Property is sold to benefit fully from any potential valuation upside.

Investment Scorecard

Management Quality

★★★★☆

Governance

★★★☆☆

Portfolio

★★★☆☆

Income Return

★★★★☆

Total Return

★★★★☆

Gearing

★★☆☆☆

Liquidity

★☆☆☆☆

Fees

★★★★☆

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Key Metrics

Fund Structure	
An unregistered managed investment scheme consisting of a property fund investing in and office and industrial property in Osborne Park, WA.	

Management
The Manager, Primewest Management Limited, is a subsidiary of Primewest Group Limited (ASX: PWG), one of Australia's leading real estate funds management businesses. Primewest currently over 80 separate syndicates and funds (totaling over $4.0B AUM) across 7 asset classes for over 700 underlying wholesale and high net worth investors.

Property Portfolio	As at June 2020
No. of Properties:	1
Acquisition Price:	$75.0M
Property Location:	50 - 54 Hasler Road and 44 Walters Drive, Osborne Park, WA
Property Sector:	Office / Industrial
Key Tenant(s):	West Australian Newspapers, Seven West Media
Occupancy:	100%
WALE:	15.0 years

Return Profile	
Forecast Distribution:	FY21: 8.0 cents per unit
Distribution Frequency:	Monthly
Tax advantage:	Distributions are expected to be tax deferred[1]
Estimated Levered IRR (pre-tax, net of fees):	9.4% - 12.8% p.a. (midpoint 11.2% p.a.). The Manager is forecasting an IRR of 15.0% driven by a revaluation to market income levels.
Investment Period:	7 years (recommended)

Note 1: Actual tax deferred component is to be confirmed by the Manager

Risk Profile	
Property/Market Risk:	Capital at risk will depend on an office and industrial asset located in Osborne Park, WA.
Interest Rate Movements:	Any change in the cost of borrowings may impact the distributable income of the Trust's underlying investments.
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand.

For a more detailed list of the key risks, refer to Section 10:"Risks" of the Information Memorandum.

Fees Paid	
Core Property considers the Fees charged by the Fund to be at the low end of what has been seen in the market (see Figure 5: Fees in Perspective).	
Entry Fees:	Nil
Exit Fees:	Nil
Acquisition Fee:	1.0% of purchase price.
Sale Fee (Disposal Fee):	2.0% of sale price.
Management Fees:	- Ongoing Management Fees: 0.50% p.a. of the GAV Development Fee: Up to 4% (excl GST) of any project costs if managed in house
Performance Fee:	20% of the outperformance of the Trust over an equity IRR of 10.0% (pre-tax, net of fees).

Debt Metrics – indicative terms	
Initial Debt / Facility Limit:	$41.3M / $41.3M
Loan Period:	Up to 3 Years
Initial LVR / LVR Covenant:	55% / 60%
ICR / Low ICR / ICR Covenant:	3.7x / 3.0x / 2.0x

Legal	
Offer Document:	Primewest Media Trust Information Memorandum, 24 April 2020
Wrapper:	Unlisted Property Trust
Trustee:	Primewest Management Ltd (ACN 091 415 833, AFSL 250963)

Trust Overview

The Trust is an unlisted property fund that will invest in an office/industrial property located at 50-54 Hasler Road and 44 Walters Drive, Osborne Park WA ("the Property"). The Investment Manager and Trustee is Primewest Management Ltd (*"the Manager", "the Trustee")*, which is part of the Primewest Group (ASX: PWG). Primewest was established in 1995 and manages a national portfolio of over $4.0 billion in property.

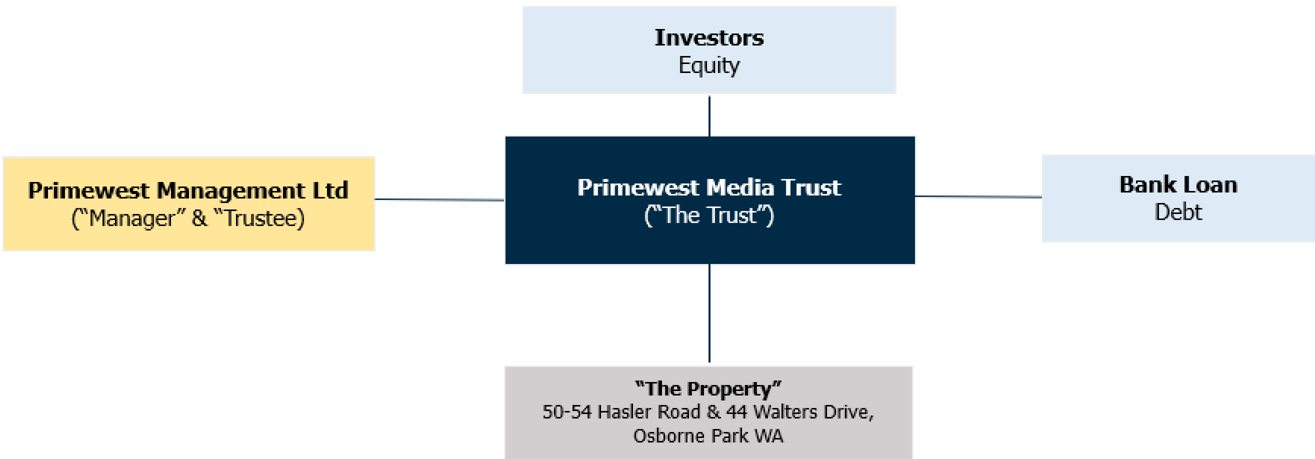
The Trust is seeking to raise $40.0M through the issue of 40.0M units at an Issue Price of $1.00 per unit ("the Offer"). The Offer is open to Wholesale investors only under the terms of the Information Memorandum.

The proceeds will be used, in conjunction with debt, to acquire the Property under a sale and leaseback arrangement to West Australian Newspapers, a subsidiary of Seven West Media (ASX: SWM) under a 15-year triple net lease, with 2x5 year options. The Property is currently the headquarters for West Australian Newspapers, the leading newspaper publication in WA and Channel Seven, the leading television network in Australia. Seven West Media will provide a corporate guarantee for the full lease term.

The Manager is forecasting distributions of 8.0% p.a. for the entirety of the investment term, paid on a monthly basis. Capital growth is expected to be supported by fixed annual rental increases of 3.0% p.a. as well as the potential for development upside over the long term.

The Trust has a proposed investment term of seven-years to June 2027 however the term may be extended at the Manager's discretion for up to 12 months or for a further period by a resolution from investors. As such, investors should consider the Trust as illiquid, and should be prepared to remain invested for a period beyond seven-years in order to fully benefit from any potential capital upside.

Figure 1: Trust structure



Source: Core Property, Primewest

Investment Strategy

The investment strategy for the Trust is to provide a regular income stream offering stability in a volatile global investment market. The strategy includes sound property fundamentals with a 15-year triple net lease guaranteed by an ASX listed tenant.

- The purchase price is underpinned by a very high land value component with building improvements below replacement cost, offering downside protection and scope to enhance rental returns and capital growth.
- The investment provides an opportunity to capture capital growth over the medium to long term via Master planning and redevelopment of the site.
- Over the lease term the Manager will work with the tenant to identify site efficiencies whilst unlocking office and mixed-use development opportunities, and
- Over the long term the Manager will monitor office tenant leasing requirement to trigger pre-leased development.

Development Potential

The Manager considers the Property to provide strong upside potential from development opportunities in the long term. The large 5.65 ha site is located at a prime business park precinct in the City of Stirling, WA. The area has been earmarked for future growth with the current Herdsman Glendalough Structure Plan ("HGSP") being in final draft format and due to be presented to the 12 May

2020 Ordinary Council Meeting for endorsement, prior to being presented to the Western Australian Planning Commission for final approval. If approved, the HGSP will allow a mixture of commercial/business and mixed use at the Property with a Base FSR of 2.5:1, allowing a minimum of 141,195 sqm to be developed at the Property, well above the current Gross Lettable Area of 42,561 sqm.

Core Property considers the prospect of future development of the property has the potential to delive strong investment returns for investors over the long term. However, the profitability from any development depends on several factors including market conditions, the timing of any project, development approvals, and will need to accommodate the conditions precedent in the existing 15-year lease with the tenant.

Liquidity / exit strategy

The Trust does not offer a withdrawal facility. The Trustee may at its discretion offer to allow withdrawals or may facilitate investors to sell or transfer their units but is under no obligation to do so. A transfer fee of up to 1.0% (excl GST) of the gross value of the units transferred may be payable.

Investors should view the Trust as illiquid in nature and expect to remain invested for the recommended minimum investment term of seven-years. The proposed investment term of seven-years may be reviewed annually by the Manager and extended for a period of up to 12 months at a time at the Manager's discretion, or for a further period by a vote by unitholders.

The Trust is structured to enable the Manager to sell the Property when it considers it to be in the best interest of investors This may occur sooner or later than the recommended seven-year period, and as such investors should consider the Trust to be a long-term investment.

Sources & Application of funds

The Information Memorandum sets out the sources and application of funds under the terms of the Offer.

Figure 2: Sources and Application of Funds

	$M	% of purchase price	% of total funds
Sources of funds			
Equity subscriptions	$40.0M	53.3%	49.2%
Bank debt	$41.3M	55.0%	50.8%
Total sources of funds	**$81.3M**	**108.3%**	**100.0%**
Application of funds			
Purchase price	$75.0M	100.0%	92.3%
Costs (Stamp Duty, Acquisition Costs, Fees)	$5.3M	7.0%	6.5%
Working Capital & Capital Expenditure Reserves	$1.0M	1.3%	1.2%
Total application of funds	**$81.3M**	**108.3%**	**100.0%**

Source: Primewest, Core Property

Debt Facility & Metrics

The Trust will require a debt facility of $41.3M to fund the acquisition. Based on indicative terms, the Manager has assumed a debt facility of up to 3 years at an all-in cost of debt of 2.60%. At inception the Fund is forecast to have a Loan to Valuation Ratio (LVR) of 55%, which is forecast to reduce to below 50% by the fourth year of the Trust.

Core Property estimates that the value of the Trust's property portfolio must fall by 8.3% to breach the LVR covenant, after adjusting for the Owner's Reserve. Further, the initial Interest Coverage Ratio (ICR) was calculated to be 3.7x, falling to a low of 2.7x in FY26. Core Property estimates that net operating income must fall by 45.3% to breach the ICR covenant of 2.0x. Investors should be aware that any change in the cost of debt may impact investor returns.

Figure 3: Debt Metrics – based on indicative terms

Details	Metric
Bank / Financier	TBA
Security	First ranked mortgage with a general security agreement over the assets of the Fun.
Debt Facility Limit/ drawn debt	$41.3M / $41.3M
Loan Period	Up to 3 years
% Hedged / Fixed	0%
Average cost of debt	2.60%
Initial LVR / LVR Covenant	55% / 60%
Initial interest covered ratio (ICR) / (Lowest ICR) / ICR covenant	3.7x / 2.7x / 2.0x
Amount by which valuation will have to fall to reach a 60% LVR	8.3%
Decrease in rent income to reach an ICR of 2.0x	45.3%

Source: Core Property, Primewest

Fees Charged by the Trust

Overall, Core Property considers the fees charged to be on the lower end of what has been seen in the market.

- Core Property considers the Trust to generally charge lower amounts on the Management Fee and Acquisition Fee.
- Core Property considers the Trust to generally charge higher amounts on the Disposal Fee.
- Core Property notes the Trust charges one Ongoing Management Fee of 0.50% p.a. of the Gross Asset Value (GAV) from which it also funds the Trust's ongoing administration and running costs. This provides investors some degree of certainty with respect to the fees of the Trust.
- Core Property notes the Manager is considering a deferral its Management Fee in the first year of the Trust in support of the forecast distribution. The deferred Management Fee is expected to be amortised and paid over future years.
- The Performance Fee is 20% of any outperformance above an IRR of 10.0% p.a. The Performance Fee is payable at the total Fund level at the end of the term when the Properties is sold, or if the Fund is terminated.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee	Nil	
Exit Fee	Nil	
Establishment Fee (Property Acquisition Fee)	1.0% (excl GST) of the purchase price of the property.	The Acquisition Fee is at the low end of the industry average of 1.5% - 2.0%.
Property Disposal Fee	Up to 2.0% (excl GST) of the sale price of the property.	The Disposal Fee is at the high end of the industry average of around 1.0% - 2.0%
Ongoing Management Fees - Management Fee, Administration Costs & Expenses, Other Indirect Costs	0.50% p.a. of gross asset value (GAV) of the property in the Trust.	We consider the Fees to be at the low end of the range of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Development Management Fee	Up to 4.0% of the amount expended on any structural improvement, development or enhancement of the Property.	The Development Fee is in line with what Core Property has seen in the industry of 3% - 5%. The Fee is accrued daily and paid monthly when construction work occurs.
Debt Establishment Fee	0.25% of total debt drawn.	
Performance Fee	20% (excluding GST) of the Trust's performance above a per annum IRR of 10% after fees and costs, subject to the minimum Property Disposal Fee of 2% of the sale price of the property. If the Term is extended beyond the Initial Proposed Term, then the fund will be entitled to 50% of the Performance Fee.	Core Property considers the minimum 2% Performance Fee to be equivalent to a Disposal Fee. We have classified this in the Property Disposal Fee above. The Performance Fee is in line with what Core Property has typically seen in the market. The hurdle rate of 10% is at the top end of what is currently seen in the market (8% – 10%).
Transfer Fee	Not more than 1% of the gross consideration payable for the transfer of units	Payable by the transferor of units.

Source: Primewest, Core Property

All-in fee analysis

In the table below, Core Property analyses how much of the Trust's cash goes to the Trustee in fees, and how much is left over for investors as a percentage of the total Trust cash flow. The key assumptions include:

- Calculations assume a 7-year Trust term to June 2027.
- A Performance Fee has not been included.

Overall, Core Property estimates that the Manager takes 8.3% of the total cash generated by the Trust. Core Property considers the fees paid to the Manager to be at the mid-point in comparison to similar products, which are typically around 7% - 9%. In terms of fees paid to the Manager, Core Property estimates that 16.5% of the estimated fee is paid upfront and the remainder relates to ongoing management fees. Core Property stresses that these estimates of how much investors will receive are not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective – over an estimated seven-year period

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.86
Total cash to investors:	**$1.86**
Acquisition fee:	$0.02
Base management fee:	$0.08
Disposal fee:	$0.05
Debt Establishment fee:	$0.02
Fees for the Manager (excluding disposal/admin):	**$0.17**
Total cash generated by Fund:	**$2.03**
Fees = % of total cash generated (before fees)	8.3%
Up-front fee vs total fees	16.5%

Source: Core Property estimates

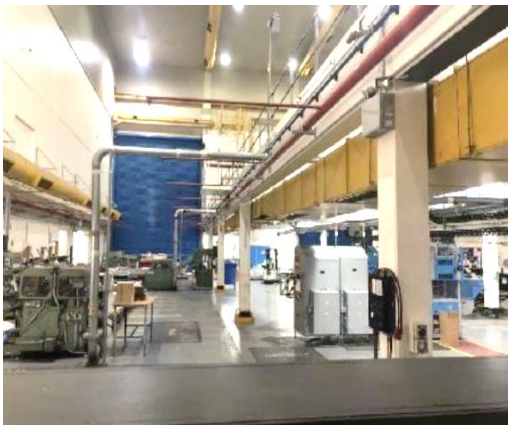
The Property

The Property is a 5.65 ha site spread across three titles, 50 Hasler Road, 54 Hasler Road and 44 Walters Drive in Osborne Park, approximately 8km north of the Perth CBD. The Property is located within the Herdsman Business Park, a prime industrial park with predominantly A and B grade office buildings and industrial uses. The Property enjoys strong connectivity to transport and is located near major arterial roads including the Mitchell Highway and Scarborough Beach Road and is within a 1.5km radius of Glendalough train station.

With a Gross Lettable Area (GLA) of 42,561 sqm, the Property serves as the headquarters for West Australian Newspapers and Seven West Media (ASX: SWM). The two office buildings (11,395 sqm in total) were constructed in 1997 with three-levels, joined by a central atrium. A two-level carpark in the north east corner of the site is linked to the main office via a covered walkway. The industrial component (31,166 sqm in total) includes a large-scale factory/warehouse is designed as a newspaper press-hall and was originally constructed in the 1970's with recent upgrades undertaken in 2007. Parking for 515 cars is available across the site.

The Property is being acquired on a sale and leaseback arrangement with West Australian Newspapers on a new 15-year lease (with 2 x 5-year options to extend). The lease is on a triple net structure with no make-good provision at the end of the lease term.

Figure 6: 50-54 Hasler Road & 44 Walters Drive, Osborne Park WA



Masterplan potential development proposal

Source: JLL, Primewest

Property Valuation

An independent valuation was undertaken in April 2020 by JLL, valuing the Property at $75.0M, in line with the acquisition price. The independent valuation made several assumptions regarding market rent, tenant incentives, re-letting and other factors based on available market evidence. The main assumptions that were adopted in the valuation model are provided below.

Figure 7: Property summary

50 - 54 Hasler Road & 44 Walters Drive, Osborne Park, WA	
Title	100% Freehold
Constructed	1970's onward
Ownership	100%
Site Area	5.65 hectares
Gross Lettable Area	42,561 sqm (11,395 sqm office, 31,166 sqm industrial)
Major Tenant	Western Mail Operations, West Australian Newspapers, Seven West Media
Weighted Average Lease Expiry	15 years
Occupancy	100%
Initial Net Passing Income	$4.3M
Net Market Income (fully leased)	$5.7M
Valuation	$75.0M
Initial Passing Yield	5.73%
Capitalisation Rate	6.40%
Valuer	JLL
Valuer's Discount Rate	7.50%
Value/sqm	$1,762 per sqm
Valuer's unleveraged 10-year IRR	7.49%

Source: JLL, Core Property

Tenants, leases and income

The Property is being acquired on a sale and leaseback arrangement from West Australian Newspapers, a wholly owned subsidiary of Seven West Media (ASX: SWM), an ASX-listed media company. Seven West Media was formed in April 2011 when West Australian Newspapers acquired the Seven Media Group. The key operating segments of SWM are:

- Television – operating the Seven Network, which is Australia's most watched television network for the past 13 years, with a commercial ratings share of 38.5% in the P25-54 age group across the day. The business includes Channel Seven, Seven Studios, 7Two, 7mate, 7plus, and 7flix
- Publishing – operating the West Australian Newspapers, which includes the West Australian, the leading WA newspaper and Australia's second oldest newspaper publication, thewest.com.au, the Sunday Times and perthnow. SWM's publishing arm, Pacific Magazines (with titles such as marie claire, Better Homes and Gardens, New Idea, Who, and Family Circle) was recently sold to Bauer Media with settlement 1 May 2020.
- Other Businesses – including investments in Airtasker, Health Engine and SocietyOne.

SWM is 41% owned by Seven Group Holdings (ASX: SVW), a diversified operating and investing group with interests in the mining, media and construction industries.

SWM reported net losses in FY 2019 and 1H 2020, with net debt of over $560M. The high debt levels are expected to reduce through the sale of Pacific Magazines ($40M) as well as the proceeds from the sale and leaseback of the Property. SWM has also been the subject of recent media speculation about the possible sale of West Australian Newspapers.

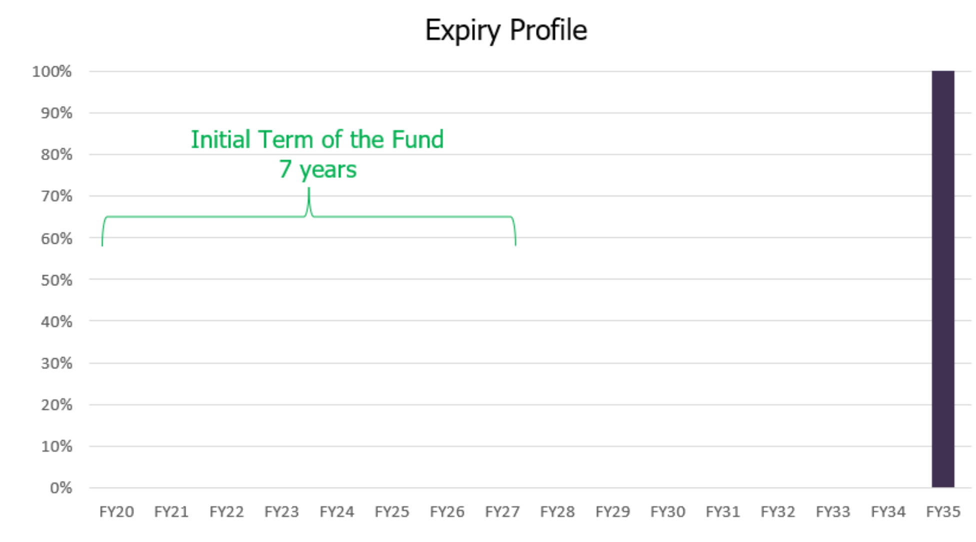
The Property was acquired by West Australian Newspapers in 1987 for warehousing space. The warehouse was initially constructed in the 1970s and has subsequently been expanded to include a printing press hall as well as to the newspaper's headquarters as well as the headquarters for Channel Seven.

The Property's NLA is divided into 11,395 sqm of office space and 31,166 sqm of industrial warehousing including the newspaper press-hall. The office component comprises two three-storey buildings, which were constructed in 1997 after WAN's editorial operations were also moved to Osborne Park.

The sale and leaseback of the Property will be undertaken under a new 15-year lease to Western Mail Operations, a subsidiary of West Australian Newspapers. The initial rent will be set at $4.3M net, with annual increases of 3.0% p.a. with 2 x 5 year options to extend. Market rent reviews will occur at the end of 15 years and prior the start of any option to extend, with a ratchet clause to ensure a minimum rollover of rent. The lease is a triple net lease, with no make good provisions by the tenant at expiry. In addition, Seven West Media (ASX: SWM) has provided a corporate guarantee to cover the rental payments under the full lease and any options exercised.

The rental income of $4.3M has been assessed by the independent valuer, JLL, as being 24% below market rents of around $5.7M.

Figure 8: Portfolio lease expiry



Source: Primewest, Core Property

Market Sales Evidence

The table below shows the comparable sales transactions for similar assets that were recently sold over the past 3 years, as provided by independent valuations from JLL. Based on the sales evidence provided, Core Property notes the following:

- The Property is being acquired at an average price of $1,762 per sqm compared to comparable office transactions of $5,568 - $8,707 per sqm, and comparable industrial transactions of $1,624 – $5,168 per sqm.
- The valuer considers the most similar transaction to be 19-21 Miles Road, Kewdale from January 2019. The Property was acquired by Charter Hall Long WALE REIT on a similar 15-year sale and leaseback to Coca Cola Amatil. The Property was acquired on a similar rate of $1,773 per sqm. It should be noted that 19-21 Miles Road was a 100% industrial asset with no office component.

A summary of the comparable sales transactions is provided below.

Figure 9: Recent Transactions

Property	Sale Date	Type	Sale Price	IRR	Initial Yield	Equivalent Market Yield	Price per sqm
66 Kings Park Road, West Perth	Jan-20	Office	$33.1M	6.98%	6.59%	6.63%	$7,055
10 Colquhoun Road, Perth Airport	Jan-20	Office	$29.0M	6.94%	6.14%	6.01%	$8,341
235 William Street, Northbridge	Oct-19	Office	$189.5M	7.01%	6.84%	6.40%	$8,707
226 Adelaide Terrace, Perth	Jan-19	Office	$86.0M	7.64%	6.99%	6.99%	$5,976
836 Wellington Street, Perth	Jul-18	Office	$91.3M	7.23%	7.02%	6.26%	$7,628
76 Kings Park Road, West Perth	Feb-19	Office	$20.3M	7.35%	8.13%	7.47%	$5,568
1101 Hay Street, West Perth	Mar-19	Office	$16.6M	6.40%	8.30%	6.87%	$6,604
1 Havelock Street, West Perth	Sep-18	Office	$33.0M	7.17%	8.32%	7.00%	$6,460
61 Bushland Ridge, Bibra Lake	Nov-19	Industrial	$9.0M	6.97%	6.61%	6.21%	$1,898
103 Welshpool Road, Welshpool	Sep-19	Industrial	$26.5M	7.01%	6.29%	6.36%	$5,051
883 Abernethy Road, Forrestfield	Jun-19	Industrial	$12.3M	6.98%	7.32%	6.47%	$1,757
45 Boom Street, Gnangara	Feb-19	Industrial	$19.9M	7.45%	5.90%	5.90%	$1,632
19-21 Miles Road, Kewdale	Jan-19	Industrial	$45.3M	7.24%	5.86%	5.84%	$1,773
16-18 Baile Road, Canning Vale	Jan-19	Industrial	$18.1M	7.40%	7.05%	7.00%	$1,624
178 Railway Parade, Bassendean	Oct-18	Industrial	$13.4M	7.57%	7.02%	6.69%	$5,168
100 Chisholm Crescent Kewdale	May-18	Industrial	$14.5M	7.72%	6.99%	6.99%	$1,645
50-54 Hasler Road & 44 Walters Drive, Osborne Park	**May - 20**	**Office/ Warehouse**	**$75.0M**	**7.49%**	**5.73%**	**6.41%**	**$1,762**

Source: JLL

Market Rental Evidence

The independent valuer, JLL, has provided a summary of comparable lease transactions in the office and industrial markets. Core Property has noted the following, based on the valuer's assessment of rental evidence:

- Office leasing evidence ranges from $365 per sqm to $435 per sqm net.
- Industrial leasing evidence ranges from $85 per sqm to $185 per sqm net.
- The independent valuer has assessed the Property's equivalent market rent to be $133 per sqm, based on the split of office/industrial space. The initial passing rent of $101 per sqm is around 24% below the equivalent market rent as assessed by the valuer.

The following table summarises the relevant comparable lease deals as provided by the valuer.

Figure 10: Recent Rental Evidence

Property Address	Tenant	Property Type	Commence Date	WALE (years)	Area (sqm)	Rent (per sqm)
Garden Office Park, Osborne Park, Bldg A, L1	Smart Group	Office	Jun-19	5.0	1,260	$395
Garden Office Park, Osborne Park, Bldg C	Neat Ideas	Office	Nov-19	3.0	180	$375
Garden Office Park, Osborne Park, Bldg C, L4	LeasePlan	Office	Jun-19	4.0	163	$395
Garden Office Park, Osborne Park, Bldg C, L4	Nexion Networks	Office	Aug-19	5.0	201	$395
Garden Office Park, Osborne Park, Bldg C, L1	BIS Industries	Office	Jul-18	5.0	1,260	$395
Garden Office Park, Osborne Park, Bldg C, L4	Wealth Wise	Office	Jul-18	8.0	605	$395
59 Albany Highway, Victoria Park	Monadelphous	Office	Jul-18	10.0	9,010	$400
5 Milldale Way, Mirrabooka	Minister for Works	Office	Late-2017	15.0	6,496	$435
20 Parkland Road, Herdsman Business Park, Osborne Park – Levels 3,4 & 6	Decmil	Office	Jun-17	6.0	3,158	$365
Proposed Lot 30 Grove Road, Kenwick WA	Chep	Industrial	Jul-20	15.0	9,890	$147
Proposed Lot 25 Logistics Boulevard, Kenwick WA	Silk	Industrial	Mar-20	10.0	21,500	$93
Proposed Lot 21, Intermodal Place, Kenwick WA	KTrans	Industrial	Feb-20	10.0	7,545	$183
Proposed Lot 13 Coldwell Road, Kenwick WA	Expro	Industrial	Nov-19	10.0	5,000	$174
Logos Industrial Estate, Talbot Road, Hazelmere WA	Fisher & Paykel	Industrial	Jun-19	5.0	10,410	$104
2 Bannister Road, Canning Vale, WA	Inter Central Global	Industrial	Apr-19	3.5	7,350	$85
2 Bannister Road, Canning Vale, WA	Quality Bakers	Industrial	Oct-19	3.0	7,385	$85
40-50 Sheffield Road, Welshpool, WA	Toll	Industrial	Jul-19	6.0	16,111	$109
45 Boom Street, Gnangara, WA	Iron Mountain	Industrial	Sep-19	15.0	12,207	$96
50-54 Hasler Road & 44 Walters Drive, Osborne Park	**West Australian Newspapers**	**Office/ Industrial**	**Jun-20**	**15.0**	**42,561**	**$101**

Source: JLL

Capex

The lease is on a triple net structure with the tenant responsible for all outgoings at the Property. As such, the Manager has not forecast any capital expenditure at the Property over the initial 7-year term of the Trust. Core Property notes that the lease does not have any make-good clause at expiry, and, as such, the Property is likely to require additional capital expenditure at the end of the current lease expiry in 2035.

Financial Analysis

Core Property has reviewed the financial forecasts of the Trust, based on the Manager's assumptions. Our key observations are:

- Assumes distributions are maintained at 8.0% p.a. over the term of the Trust;
- Based on the current proposed sale and leaseback terms with lease commencing 1 June 2020;
- Assumes the Manager has deferred its Management Fees for the first 12 months; and
- Forecasts exclude any potential upside from development at the Property over the long term.

A summary of Core Property's forecasts is presented in the table below:

Figure 11: Profit & Loss Forecast and Pro Forma Balance Sheet

Profit & Loss - Forecast $M	**12 months to 31 May 2021**	**12 months to 31 May 2022**
Net Property Income	4.3	4.4
Expenses	-0.0	-0.0
Fees	-0.0	-0.4
Earnings Before Interest & Tax	4.3	4.0
Net Interest Expense	-1.1	-1.1
Total Available for Distribution	**3.2**	**3.0**
Increase in Retained Earnings	0.1	-0.1
Cash Distribution - $M	**3.1**	**3.1**
Cash Distribution per unit (cents)	8.00 cpu	8.00 cpu
Annualised distribution yield	**8.00%**	**8.00%**

Balance Sheet – $M – Pro Forma	**At Commencement $M**
Cash	1.0
Investment Property	75.0
Other Assets	-
Total Assets	**76.0**
Liabilities	-
Borrowings	41.3
Other Liabilities – Debt Establishment Costs	-
Total Liabilities	**41.3**
Net Assets	**34.8**
NTA per Unit	$0.87
LVR	55.0%

Source: Primewest, Core Property

Initial NTA

The starting NTA is an important consideration. It should be assessed in the context of statutory costs and fees paid to the Manager, which dilute investors' return over the term of the Trust.

Core Property has calculated the starting NTA based on the initial value of the assets in the Fund. The initial NTA is calculated at $0.87 per unit, with dilution primarily coming from stamp duty costs and fund establishment fees. Investors should recognise the NTA is expected to change as the Property is revalued over time.

Figure 12: Initial NTA

Amount per unit	$ per unit
Issue Price	$1.00
Less:	
Acquisition Costs	-$0.10
Property Acquisition Fee	-$0.01
Debt & Fund Establishment costs	-$0.02
Working Capital and Capitalised costs	-
Initial NTA per unit	**$0.87**

Source: Core Property

Expected Future Performance (IRR Sensitivity)

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

For comparison purposes, Core Property has estimated the total return from the Trust based on the assumptions provided by the Manager. **Based on an assessment of the Manager's forecasts, Core Property expects the Trust to deliver a 7-year Internal Rate of Return (IRR) in the range of 9.4% - 12.8% p.a. (midpoint 11.2%).** The calculation is based on the Manager's forecasts and assumes a +/- 50bps movement in the terminal capitalisation rate and interest rates. Investors should note the calculation does not include any development upside value at the Property. **The Manager is forecasting a total IRR of 15.0% on the basis that the Property is revalued on higher market rents.**

Investors should be aware the sensitivities include the potential for the valuation of the asset to increase or decrease (depending on market conditions) which will result in either a capital gain or loss for investors.

Figure 13: Pre-tax, 7-year IRR (after fees) sensitivity analysis – Manager's assumptions

			Cost of debt		
Terminal cap rate	**1.60%**	**2.10%**	**2.60%**	**3.10%**	**3.60%**
5.90%	13.0%	12.8%	12.6%	12.4%	12.2%
6.15%	12.3%	12.1%	11.9%	11.7%	11.5%
6.40% (base)	11.6%	11.4%	**11.2%**	10.9%	10.7%
6.65%	10.9%	10.7%	10.4%	10.2%	9.9%
6.90%	10.2%	10.0%	9.7%	9.4%	9.0%

Source: Core Property

Management & Corporate Governance

The Trustee is a subsidiary of Primewest Group Limited (ASX: PWG). Established in 1995, Primewest is a leading Australian real estate funds manager focusing on income and development funds. Primewest currently manages 80 Funds spanning 7 asset classes with a total AUM of over $4.0B, predominantly on behalf of wholesale or institutional investors.

Core Property has reviewed the composition of the Board and believes it has the relevant skills and experience to operate the Trust successfully. Each Director has demonstrable property and investment management skills, with an average of approximately 30 years of industry experience each.

Figure 14: The Board & Key Executives

Name & Role	Experience
John Bond Executive Chairman	John is a founding Director of Primewest and holds over 30 years' experience in investment management, development projects and asset management functions. Prior to his work in the property sector, he worked in law and investment banking. John is a qualified solicitor and holds a Bachelor of Commerce degree.
David Schwartz Managing Director	David is a founding Director of Primewest and holds over 25 years' experience in investment management and development projects. Over the course of his career, David has been involved in business across the retail, manufacturing and distribution sector. He also serves as a Non-Executive Director of Schaffer Corporation Ltd.
Jim Litis Executive Director	Jim is a founding Director of Primewest. Qualified from Curtin University with a Bachelor of Science (Pharmacy), Jim ventured into the retail sector instead where he opened Douglas Hi Fi and a Sony Central Store. His moved to property occurred in the early 80's where he was part of several acquisitions of CBD properties and a small shopping centre.

Key Executives and Management

Name & Role	Experience
Julian Lodge Chief Investment Officer	Julian is the Chief Investment Officer at Primewest. He holds over 25 years' experience in the property industry with capabilities across funds management, development and asset management. His main role is the identification and execution of investment opportunities where he works alongside the asset management team to deliver investment outcomes. Julian is a Board member on the Western Australian Property Council, Divisional Council and the Property Education Foundation of WA. He is a Senior Associate member of FINSIA and is also a qualified Real Estate Agent.
David Creasy Chief Financial Officer	David is the Chief Financial Officer with over 25 years' experience of financial, strategic and operational leadership across the property, hospitality and retail industries. Within the property sector, he has significant experience in development projects across residential, commercial and mixed-use assets across North America. David's role within Primewest is leading the internal business operations. He is a Chartered Professional Accountant (Canada).
Adam O'Donoghue Head of Asset Management	Adam holds over 12 years' experience in the property industry where his current role sees him in charge of the Asset Management team. His role is to maximise property value and investor returns by improving the properties' cash flow. Adam holds a Bachelor of Commerce and in previous roles has worked as a taxation accountant.

Source: Primewest

Compliance and Governance

The Trust is not registered with ASIC as a managed investment scheme. As an unregistered scheme, the Trust does not have a compliance plan, compliance committee, or related-party policy of its own. Instead, the Trust will be subject to the compliance polices of its ultimate parent, Primewest Group (ASX: PWG).

As a listed entity, Primewest has as a compliance plan, an audit & compliance committee, and policies covering related-party transactions and conflicts of interests. Core Property has reviewed the composition of the Board and senior executive team and consider it has the relevant skills and experience to operate the Trust successfully. We note the Board comprises five Directors, two of which are independent.

Past Performance

Primewest has advised that, since inception, it has established 110 unlisted property funds in total. As at April 2020, 30 funds have been completed with 80 remaining current.

- Since June 2016, Primewest has completed 10 funds, delivering investors an IRR of between 6.6% p.a. and 32.2% p.a. (average 16.1% p.a.).
- The 80 current funds are delivering an average estimated IRR of 21.6% p.a. (pre fees).

Readers should note that that past performance is not a reliable indicator of future performance as each Trust – and its respective underlying properties – has its own specific risks and attributes.

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

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