Core Property
Fund Research & Ratings

Listed Property

August 2021 Reporting Season Results

Week 3

GPT, DXS, CQR, AQR, SCP, ABP,

AVN, ADI, VCX, HDN, SGP

A review of the major listed A-REITs reporting results during August 2021.

Reporting Season Review

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 covers 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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August 2021

August 2021 Reporting Season Week 3

A-REITs reporting:		
For full reporting calendar see Appendix		
Monday 16 August 2021		
GPT	GPT Group	1H21
Tuesday 17 August 2021		
DXS	Dexus	FY21
CQR	Charter Hall Social Infra. REIT	FY21
AQR	APN Conv. Retail REIT	FY21
SCP	SCA Property Group	FY21
Wednesday 18 August 2021		
ABP	Abacus Property Group	FY21
ADI	APN Industria REIT	FY21
AVN	Aventus Group	FY21
VCX	Vicinity Centres	FY21
Thursday 19 August 2021		
HDN	Home Co Daily Needs REIT	FY21
Friday 20 August 2021		
SGP	Stockland Group	FY21

Core Property has reviewed the results from property securities which reported in week 3 of the August 2021 reporting season.

- **Earnings from funds** continue to be mixed. GPT delivered an impressive +24.6% increase in earnings per security, however the result was for the 6-month period to June 2021 and is compared to the 6 months to June 2020 when the worse COVID rental impacts were reported. In contrast, whilst VCX and CQR delivered growth in earnings over a 12-month period, earnings per unit went backwards due to the issue of new securities during the year. Positive gains were also delivered by DXS (+3.0%), AQR (+1.4%), SCP (+0.8%), ADI (+3.1%) and AVN (+7.1%).
- **Distribution Guidance for FY22** was provided for 5 out of the 11 property securities we reviewed. Due to the current COVID lockdowns in place, landlords with a large retail exposure have not provided distribution or earnings guidance for FY22 - GPT, CQR, SCP, AVN and VCX.
- **Portfolios continued to grow** through the period, supported by acquisitions as well as valuation gains. Portfolio gains include GPT (+4.4% over 6 months), DXS (+3.2%), CQR (+12.1%), AQR (+40.1%), SCP (+27.5%), ABP (+29.1%), AVN (+17.6%), ADI (+28.9%), HDN (+13.7%) and SGP (+5.0%). VCX reported a decline (-4.6%) in portfolio value.
- **Capitalisation rates:** The Industrial sector continues to strong valuation gains off the back of large reductions in cap rates - DXS Industrial (-74 bps), ADI Industrial (-64 bps) and SGP Industrial (-90 bps). GPT's Industrial portfolio reported -46bps over the 6 month period. Office portfolios delivered capitalisation rate movements for the 12 months with DXS Office (-6bps), ABP Office (-11 bps), ADI Business Parks (-33 bps) and SGP Office (-20 bps). GPT Office reported -2bps for the 6 month period. The Retail portfolios were a mixed bag – at one end there were small cap rate movements for CQR Shopping Centres (-7 bps), GPT Retail (-1bps for the 6 month period) and SGP Retail (no change). At the other end there were strong movements for SCP (-61 bps), AVN (-72 bps) and HDN (-32 bps). VCX reported a +2 bps gain in cap rate over the period as the portfolio continues to face structural risks in the retail sector. The specialist portfolios delivered strong movements - AQR Convenience Retail petrol stations (-56 bps), ABP Self Storage (-84 bps).

A summary of each result is provided in the following pages.

Key financial and valuation metrics

Code	Price (cps[1])	Operating Earnings		Distributions		Leverage		Valuation		Guidance on EPS & DPS		
		EPS (cps)	(% chg)	DPS (cps)	(% chg)	Gearing (%)	Move (%)	NTA (cps)	Prem/ (Disc) to NTA %	FY22 EPS (cps)	FY22 DPS (cps)	Implied DPU yield
GPT	480	15.64	+24.6%	13.3	+43.0%	24.5%	+1.3%	586	-18.1%	Not provided	Not provided	NA
DXS	1053	51.8	+3.0%	51.8	+3.0%	26.7%	+2.4%	1142	-7.8%	52.8	52.8	5.0%
CQR	374	27.3	-10.7%	23.4	-4.6%	33.1%	+0.8%	401	-6.7%	Not provided	Not provided	NA
AQR	372	21.9	+1.4%	21.9	+0.5%	28.2%	+11.7%	367	+1.4%	22.9	22.9	6.2%
SCP	262	14.76	+0.8%	12.4	-0.8%	31.3%	+5.7%	252	+4.0%	Not provided	Not provided	NA
ABP	333	18.4	-5.1%	17.5	-5.4%	28.3%	+1.8%	343	-2.9%	Not provided	Not provided	NA
ADI	341	19.9	+3.1%	17.3	0%	31.6%	+3.5%	320	+6.6%	19.3	17.3	5.1%
AVN	329	19.4	+7.1%	17.5	+47.1%	30.3%	-5.7%	269	+22.3%	Not provided	Not provided	NA
VCX	160	12.28	-10.1%	10.0	+29.9%	23.8%	-1.7%	213	-24.9%	Not provided	Not provided	NA
HDN	147.5	4.1[2]	NA	4.249[2]	NA	15.1%	-19.4%[3]	136	+8.5%	8.3	8.0	5.4%
SGP	452	33.1	-4.6%	24.6	+2.1%	21.4%	-4.0%	398	+13.6%	34.6–35.6	26.0–30.3	6.2%[4]

Note 1: Price is based on the closing price on the day of the results being released. Note 2: HDN based on the period 23 November 2020 – 30 June 2021. Note 3: Movement since 31 Dec 2020. Note 4: based on midpoint. Source: Company Announcements, Core Property

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The GPT Group (ASX: GPT) – 1H21 Results

GPT reported 1H21 results with a very strong +24.6% increase in FFO per unit. The growth was due to the reporting period being a 6-month comparison of the June 2021 period against the June 2020 period (when the first wave of COVID-19 impacts were reported). Ease of COVID-19 related restrictions boosted the performance of GPT through majority of 1H21, with the most recent COVID-19 outbreak expected to materially impact FY21 operations. As so Management have withdrawn FY21 FFO and distribution guidance.

Net Income significantly increased as earnings from retail recovered 77.8% from 1H20 levels, with speciality sales growth of 6.5% in comparison to 1H19. Rent collection levels improved over the 6 months with 104% of net billings collected, however cash collections softened to 81% in July 2021. Logistic and development completions of $350.0M also contributed to 1H21 FFO growth, increasing 17.2%. GPT's industrial and logistics AUM is positioned to grow with a $1.4B development pipeline, and increased target investment of the GPT QuadReal Logistics Trust from $800M to $1B. These gains were slightly offset by the negative 3.9% income change recorded by office assets, due to the loss of earnings from the sale of One Farrer Place.

GPT's current price of $4.80 per stapled security represents a -18.0% discount to NTA per unit, reflecting the uncertainty from the groups Retail assets, which make up around 40% of the portfolio.

1H21 Results to 30 June 2021

1H20 results	1H21	1H20	Change
Earnings			
Statutory Net Profit after tax*	**$760.4M**	($519.1M)	NA
Net Income	**$760.5M**	$307.7M	+147.2%
Retail	**$140.8M**	$79.2M	+77.8%
Office	**$134.5M**	$139.9M	-3.9%
Logistics	**$75.5M**	$64.4M	+17.2%
Funds Management	**$23.9M**	$24.2M	-1.2%
Net Interest Expense	**($44.3M)**	($49.1M)	+9.8%
Corporate overheads & Tax expense	**($28.1M)**	($14.1M)	-99.3%
Funds From Operations (FFO)	**$302.3M**	$244.5M	+23.6%
FFO per stapled security	**15.64cpss**	12.55cpss	+24.6%
Distribution per stapled security	**13.3cpss**	9.30cpss	+43.0%
Payout ratio (of AFFO)	**99.9%**	99.6%	+ 3 bps
Movement over 6 months	**As at June 21**	**As at Dec 20**	**Change**
Balance Sheet			
NTA per security	**$5.86**	$5.57	+5.2%
Gearing %	**24.5%**	23.2%	+1.3%
Weighted average cost of debt	**2.7%**	3.1%	-0.4%
Weighted average debt maturity	**7.4 years**	7.8 years	-0.4 years
Borrowings	**$4,128.0M**	$4,087.0M	+1.0%
Interest cover ratio	**7.9x**	6.4x	+23.4%
Portfolio			
Property Valuation	**14,911.2M**	$14,285.9	+4.4%
Occupancy rate	**95.6%**	98.4%	-2.8%
Weighted Average Capitalisation Rate	**4.85%**	4.95%	-10 bps
WALE (Weighted Average Lease Expiry)	**4.8 years**	4.7 years	0.1 years

Source: GPT, Core Property. *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

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Dexus (ASX: DXS) – FY21 Results

DXS delivered a mixed result for FY21. Whilst FFO per unit was -0.9% for the year, Adjusted FFO per unit was +3.0% after adjusting for capex and incentives paid during the period. Earnings reduced slightly in Office (-2.0%) and Industrial (-1.6%) largely due to asset sales. The CBD office market has shown signs of stabilisation, whilst the Industrial sector continues to remain strong. The Management Operations result weakened due to one off cost reduction benefits in the prior year, however AUM increased strongly to $25B (from $15.5B in FY20). Management earnings are expected to grow in FY22 from the merger with the AMP Diversified Property Fund and acquisition of the APN Property business.

Whilst the current impacts of COVID-19 lockdowns remain uncertain, DXS has tempered its expectations for distribution growth to not less than 2% for FY22 (compared to the 3.0% achieved in FY21). This implies FY22 distributions of at least 52.8 cps (from 51.8 cps in FY21). At current prices, DXS is trading at 7.8% discount to NTA, on a yield of around 5.0%.

FY21 Results to 30 June 2021

FY21 results	FY21	FY20	Change
Earnings			
Statutory Net Profit*	**$1,138.4M**	$972.7M[1]	17.0%
Funds From Operations			
Office Property	**$658.3M**	$671.4M	-2.0%
Industrial Property	**$122.2M**	$124.2M	-1.6%
Management Operations	**$57.7M**	$71.5M	-19.3%
Trading Profits	**$50.4M**	$35.3M	42.8%
Group Corporate, Finance, Other	**-$171.6M**	-$172.2M	-0.3%
Funds From Operations	**$717.0M**	$730.2M	-1.8%
FFO per security	**66.1 cps**	66.7 cps	-0.9%
AFFO per security	**51.8 cps**	50.3 cps	+3.0%
Distribution per security	**51.8 cps**	50.3 cps	+3.0%
Payout ratio	**100%**	100.0%	No change
Movement over 12 months	**June 21**	**As at Jun 2020**	**Change**
Balance Sheet			
NTA per security	**$11.42**	$10.86	+5.1%
Gearing (look through) %	**26.7%**	24.3%	+2.4%
Weighted average cost of debt	**3.2%**	3.4%	-0.2%
Weighted average debt maturity	**6.2 years**	6.9 years	-0.7 years
Borrowings	**$4,925M**	$4,838M	+1.8%
Portfolio – Direct Properties			
Property Valuation – Total Portfolio	**$17,080.6M**	$16,544.1M	+3.2%
Occupancy rate – Office	**95.2%**	96.5%	-1.3%
Occupancy rate – Industrial	**97.7%**	95.6%	+2.1%
Weighted Average Lease Expiry – Office	**4.6 years**	4.2 years	+0.4 years
Weighted Average Lease Expiry – Industrial	**4.4 years**	4.1 years	+0.3 years
Capitalisation Rate – Office	**4.91%**	4.97%	-6 bps
Capitalisation Rate – Industrial	**4.92%**	5.66%	-74 bps
Capitalisation Rate - Portfolio	**4.91%**	5.05%	-14 bps

Source: DXS, Core Property. Note 1: includes a prior year FY2 restatement of $10.3M. *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

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Charter Hall Retail REIT (ASX: CQR) – FY21 Results

CQR delivered strong FY21 results with operating earnings growing 9.5% on FY20, benefiting from 97.1% of rent collections and lower COVID-19 tenant support, reducing to $6.8M through FY21, compared to $10.4M provided in Q420. On a per unit basis, earnings decreased 10.7% due to the new securities issued in April 2020.

The portfolio grew a healthy 12.1% over FY21, with 22bps of cap rate compression resulting in $188M of valuation gains, coupled with net acquisitions of $207M involving the acquisition of the Coles Distribution Centre in Adelaide SA and expansion of the BP Convenience Retail Partnership of petrol stations in NZ. Moving Annual Turnover (MAT) growth for the period improved from 3.9% to 5.4%, as ease of government restrictions eased across Australia. Supermarket Growth slowed to 4.3% (from 5.2%), as a result of lower supermarket panic buying. Speciality tenants rebounded strongly through the financial year, increasing 7.1% from FY20.

Considering the current COVID-19 lockdowns across several jurisdictions, Management have withheld from providing FY22 FFO and distribution guidance, due to the uncertainty as to when these restrictions will be eased. As a result of restrictions, approximately 428 speciality stores (10.8% of the portfolio's monthly income) are currently not trading, with 5.5% of the portfolio's monthly income classified as a SME. The portfolio of supermarket and long WALE convenience retail assets is expected to remain resilient throughout FY22, with these essential services proving their stability throughout FY21. Sales are likely to rebound strongly following the ease of restrictions, as what was seen in FY21. CQR is currently trading at a 6.7% discount to an NTA of $4.01 per unit.

FY21 Results to 30 June 2021

FY21 results	**FY21**	**FY20**	**Change**
Earnings			
Statutory Net Profit after tax *	**$291.2M**	$44.2M	+558.8%
Operating earnings	**$156.2M**	$142.7M	+9.5%
Operating earnings per unit	**27.30 cpu**	30.56 cpu	-10.7%
Distribution per security	**23.40 cpu**	24.52 cpu	-4.6%
Payout ratio	**85.7%**	80.2%	+5.5%
Movement over 12 months	**As at Jun 2021**	**As at Jun 2020**	**Change**
Balance Sheet			
NTA per security	**$4.01**	$3.75	+6.9%
Portfolio Gearing %	**33.1%**	32.3%	+0.8%
Weighted average cost of debt	**2.7%**	2.8%	-0.1%
Weighted average debt maturity	**4.1 years**	3.9 years	+0.2 years
Borrowings	**$865M**	$750M	15.3%
Interest cover ratio	**5.3x**	5.3x	No Change
Portfolio			
Property Valuation - Portfolio	**$3,647M**	$3,252M	+12.1%
Occupancy rate – Portfolio	**98.3%**	97.3%	+1.0%
Number of properties – Shopping Centres	**50**	51	-1 property
Number of properties – Long WALE	**296**	225	+71 properties
Capitalisation Rate - Portfolio	**5.81%**	6.03%	-0.22 bps
Capitalisation Rate – Shopping Centres	**6.12%**	6.19%	-7 bps
Capitalisation Rate – Long WALE Conv Retail	**4.69%**	5.00%	-31 bps
WALE (Weighted Average Lease Expiry)	**7.5 years**	7.2 years	+0.3 years

Source: CQR. Note*Statutory Net Profit after Tax includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

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APN Convenience Retail REIT (ASX: AQR) – FY21 Results

AQR reported a solid +1.4% growth in earnings per security for FY21, continuing its trend of delivering resilient earnings from convenience retail and service station assets. The portfolio has increased in scale to $627.9M and is expected to reach $738M from already contracted acquisitions. The property metrics are healthy with: 1) 99.6% occupancy, 2) a long WALE of 11.9 years, 3) like for like rental income growth remains solid at +2.8%, replicating FY20, and 4) only 8% leases falling due over the next 8 years.

Following the acquisition of the Fund Manager (APN Property Group) by Dexus (ASX: DXS) on 13 August 2021, AQR is expected to change its name to the Dexus Convenience Retail REIT (expected ASX code: DXC), on 1 October 2021. AQR also announced a $50M equity raising ($45M institutional + $5M retail) to fund a further two acquisitions ($28.6M) and reduce debt.

Management has strong growth of +4.6% in earnings and distributions from FY22. This will be supported by the impact of recent acquisitions as well as contracted rental income growth. Based on the current price, this equates to a 6.2% yield for a portfolio that currently provides a robust and resilient rental income stream.

FY21 Results to 30 June 2021

FY21 results	FY21	FY20	Change
Earnings			
Statutory Net Profit*	**$73.8M**	$45.8M	+61.2%
Funds From Operations	**$25.9M**	$19.3M	+34.6%
FFO per security	**21.9 cps**	21.6 cps	+1.4%
Distribution per security	**21.9 cps**	21.8 cps	+0.5%
Payout ratio	**100%**	101%	-1%

Movement over 12 months	As at Jun 2021	As at Jun 2020	Change
Balance Sheet			
NTA per security	**$3.67**	$3.27	+12.2%
Gearing %	**28.2%**	16.5%	+11.7%
Weighted average cost of debt	**3.0%**	3.7%	-0.7%
Weighted average debt maturity	**2.9 years**	3.3 years	-0.4 years
Borrowings	**$181.5M**	$76.5M	+137.3%
Interest cover ratio	**7.0x**	5.1x	+1.9x
Portfolio			
Property Valuation	**$627.9M**	$448.2M	+40.1%
Occupancy rate	**99.6%**	100%	-0.4%
Number of properties	**98**	79	+19 properties
Weighted Average Capitalisation Rate	**6.02%**	6.58%	-56 bps
WALE (Weighted Average Lease Expiry)	**11.9 years**	10.6 years	+1.3 years

Source: AQR. Note *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

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SCA Property Group (ASX: SCP) – FY21 Results

SCP delivered FY21 results with Funds From Operations up 12.9%. The result was driven by rent collections improving to 96% throughout the financial year, as well as COVID-19 earnings impact decreasing from -$20.3M in FY20, to -$7.3M in FY21. On a per unit basis, FFO grew slightly by 0.8%, as equity raisings in FY20 diluted growth.

SCP's supermarket tenants remained resilient throughout lockdown periods, while speciality tenants rebounded strongly following restrictions easing. Total MAT increased 4.6% for the year (compared to 4.2% in FY20) with all sales categories improving in FY21 - Supermarkets +3.2% (+5.1% in FY20), Discount Department Stores +9.2% (+7.6% in FY20), Mini Majors +6.4% (+2.9% in FY20) and Specialties +9.7% (-1.1% in FY20). Portfolio valuations increased 13.5% through the year, driven by $452.4M of acquisitions, 61 bps of cap rate compression, lower COVID-19 allowances and LFL income growth of 1.3%. Around 7% of gross rental income is provided from NSW/VIC tenants in Apparel, Services and Cafes/Restaurants, which are considered to be the most affected by the current lockdowns.

As a result of recent lockdowns across several jurisdictions, SCP have refrained from providing FFO and distribution guidance for FY22. Management has a target to return AFFO to pre-COVID levels of 15.0 cpu per annum (compared to the 12.61 cpu delivered in FY21) once the pandemic has ended. The distribution payout ratio continues to be approximately 100% of AFFO. Management has also indicated that it may consider third party capital partners, including potential institutional capital, however there are no immediate plans underway. Currently, SCP is trading at a small premium of 4.0% to NTA.

FY21 Results to 30 June 2021

FY21 results	FY21	FY20	Change
Earnings			
Statutory Net Profit after tax*	**$462.9M**	**$85.5M**	+441.4%
Funds From Operations (FFO)	**$159.0M**	**$140.8M**	+12.9%
FFO per unit	**14.76 cpu**	**14.65cpu**	+0.8%
Adjusted FFO per unit (AFFO per unit)	**12.61 cpu**	**12.94 cpu**	-2.6%
Distribution per unit	**12.40 cpu**	**12.5cpu**	-0.8%
Payout ratio (on AFFO)	**98.5%**	**99.4%**	-0.9%
Movement over 12 months	**As at Jun 2021**	**As at Jun 2020**	**Change**
Balance Sheet			
NTA per security	**$2.52**	$2.22	+13.5%
Gearing %	**31.3%**	25.6%	+5.7%
Weighted average cost of debt	**2.4%**	3.5%	-0.9%
Debt maturity	**5.3 years**	5.1 years	+0.2 years
Borrowings	**$1,331.5M**	$1,083.6M	+22.9%
Portfolio			
Property Valuation	**$4,000.0M**	$3,138.2M	+27.5%
Occupancy rate	**97.4%**	98.2%	-0.8%
Weighted Average Capitalisation Rate	**5.90%**	6.51%	-61 bps
WALE (Weighted Average Lease Expiry)	**7.2 years**	7.4 years	-0.2 years

Source: SCP, Core Property *Statutory Net Profit after Tax includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

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Abacus Property Group (ASX: ABP) – FY21 Results

ABP reported FY21 results with 9.5% growth in Funds From Operations. Strong performance was delivered in the Self Storage and Commercial businesses. The legacy Property Development business, was weaker as the business continues to wind down, with expectations that this will be completed in the next year. FFO per security was -5.1%, as a result of the raising of new equity during the period.

Management did not provide any guidance for FY22 earnings, however indicated that it will look to maintain its target distribution payout ratio of 85% - 95% of FFO.

FY21 Results to 30 June 2021

FY21 results	FY21	FY20	Change
Earnings			
Statutory Net Profit*	**$369.4M**	$84.7M	+336.0%
EBIT	**$172.9M**	$169.5M	+2.0%
Commercial (Office, Retail, Other)	**$86.9M**	$70.2M	+23.8%
Self Storage	**$69.6M**	$60.2M	+15.6%
Property Development	**$16.2M**	$38.3M	-57.7%
Other	**$0.2M**	$0.5M	-60.0%
Funds From Operations (FFO)	**$136.4M**	$124.6M	+9.5%
FFO per stapled security	**18.40 cps**	19.38 cps	-5.1%
Distribution per stapled security	**17.50 cps**	18.50 cps	-5.4%
Payout ratio (of FFO)	**95.1%**	95.5%	-0.4%

Movement over 12 months	As at Jun 2021	As at Jun 2020	Change
Balance Sheet			
NTA per security	**$3.43**	$3.32	+3.3%
Gearing %	**28.3%**	26.5%	+1.8%
Weighted average cost of debt	**2.0%**	3.0%	-1.0%
Weighted average debt maturity[1]	**4.8 years**	3.9 years	+0.9 years
Borrowings	**$960M**	$974M	-1.4%
Interest cover ratio	**8.8x**	7.6x	+1.2x
Portfolio			
Property Valuation	**$3,790M**	$2,936M	+29.1%
Capitalisation Rate – Portfolio	**5.65%**	6.00%	+35 bps
Capitalisation Rate – Self Storage	**5.74%**	6.58%	-84 bps
Capitalisation Rate – Office	**5.50%**	5.61%	-11 bps
Capitalisation Rate – Retail & Other	**5.62%**	6.19%	-57 bps

Source: ABP. Note *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

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Aventus Group (ASX: AVN) – FY21 Results

AVN delivered a strong FY21 performance with Large Format Retail tenants benefitting from COVID-19 stay at home restrictions, resulting in increased sales across AVN's tenants. Easing of government restrictions improved AVN's operating performance, with rent collection improving to 98% through the year, up from the 87% recorded in the June quarter of FY20, as well as foot traffic increasing 6% from FY20. FFO increased 9.8% from FY20, with higher levels of NOI attributed to lower COVID-19 rent relief and increased property revenues. On a per unit basis, FFO grew 7.1% to 19.4 cps, a 5% increase from original FY21 FFO guidance of 18.4 cps.

The resilience of LFR centres saw favourable market transactions compress the portfolio capitalisation rate 72 bps to 6.01% in FY21, with net valuation gains of $297M. Of note, the sale of the MacGregor Home was sold at a 15% premium to book value, settled following FY21 reporting. Combined with $55M of income growth, acquisitions and capital expenditure, the portfolio increased by 17.6% to approximately $2.3B.

The AVN portfolio appears to be relatively resilient to the impacts of COVID-19 with 88% of space leased to national retailers. As at August 2021, approximately 80% of AVN's tenants are still trading as a result of current lockdowns, with rent collections reducing to 94% in July 2021. Given the uncertainty of the current lockdowns, management has refrained from providing earnings and distribution guidance for FY22. AVN are also looking to increase its funds management offering to enhance investor returns. At current levels AVN is trading at a 22.3% premium to NTA per security.

FY21 Results to 30 June 2021

FY21 results	FY21	FY20	Change
Earnings			
Statutory Net Profit*	**$410.0M**	$56.7M	+623.1%
Funds From Operations (FFO)	**$110.0M**	$100.2M	+9.8%
FFO per unit	**19.4 cps**	18.2 cps	+7.1%
AFFO per unit	**17.1 cps**	16.9 cps	+1.2%
Distribution per unit	**17.5 cps**	11.9 cps	+47.1%
Payout ratio (of FFO)	**90%**	66%	+24.0%

Movement over 12 months	As at Jun 2021	As at Jun 2020	Change
Balance Sheet			
NTA per security	**$2.69**	$2.14	+25.7%
Gearing % (Look Through)	**30.3%**	36.0%	-5.7%
Weighted average cost of debt	**2.8%**	3.1%	-0.3%
Debt maturity	**4.4 years**	3.1 years	+1.3 years
Borrowings	**$692.0M**	$738.4M	-6.3%
Portfolio			
Property Valuation	**$2,270M**	$1,933M	+17.6%
Occupancy rate	**98.8%**	98.0%	+0.8%
Weighted Average Capitalisation Rate	**6.01%**	6.74%	-72 bps
WALE (Weighted Average Lease Expiry)	**3.7 years**	3.9 years	-0.2 years

Source: AVN. Note *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

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Vicinity Centres (ASX: VCX) – FY21 Results

VCX reported FY21 results, with earnings recovering from the initial impacts of COVID in the prior FY20 results. Rent collection improved to 84% through FY21, a massive improvement from the 34% collected in the June quarter of FY20. In total, approximately $231M of COVID-19 rent related assistance was provided to tenants throughout FY21. Whilst FFO increased by 7.4% to $558.8M, on a per security basis, FFO decreased by 10.3% after adjusting for the $1.4B issue of new securities in April 2020.

Valuations in the portfolio decreased $646M (or -4.6%) from FY20, with the portfolio weighted average capitalisation rate increasing by 2bps to 5.49%. Gearing levels were reduced to 23.8%, below the target range of VCX's range of 25% - 35%, attributable to the equity raise in April 2020 which was used to pay down debt.

VCX earnings continue to face uncertainty as a result of the recent lockdowns impacting its centres. Approximately 25% of space is leased to SME tenants across VCX's portfolio, which continue to be the most affected, and likely to require rent assistance under the reintroduced Codes of Conduct in NSW (on 28 July 2021) and Victoria (on 13 August 2021). Due to the uncertainty of the current lockdowns, VCX have not provided guidance for FY22 earnings or distributions. At current price levels VCX is trading at a 24.9% discount to its NTA per security.

FY21 Results to 30 June 2021

FY21 results	FY21	FY20	Change
Earnings			
Statutory Net Profit*	**-$258.0M**	-$1,801.0M	NA
Funds From Operations	**$558.8M**	$520.3M	+7.4%
FFO per security	**12.28 cps**	13.66 cps	-10.1%
Distribution per security	**10.0 cps**	7.7 cps	+29.9%
Payout ratio (based on FFO)	**81.4%**	56.3%	+25.1%
Movement over 12 months	**As at Jun 2021**	**As at Jun 2020**	**Change**
Balance Sheet			
NTA per security	**$2.13**	$2.29	-7.0%
Gearing %	**23.8%**	25.5%	-1.7%
Weighted average cost of debt	**3.6%**	3.6%	No change
Weighted average debt maturity	**4.4 years**	5.2 years	-0.8 years
Borrowings	**$3,281.9M**	$3,929.8M	-16.5%
Portfolio – Direct Properties			
Property Valuation[1]	**$13,468M**	$14,114M	-4.6%
Occupancy rate	**98.2%**	98.6%	-0.4%
Number of properties – Direct portfolio	**59 assets**	60 assets	-1 asset
Weighted Average Capitalisation Rate	**5.49%**	5.47%	+2bps

Note 1: Includes equity accounted investments. *Statutory Net Profit includes non-cash items which distorts operating income. Distributable Earnings/FFO is a more appropriate measure to assess changes. Source: VCX, Core Property

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APN Industria REIT (ASX: ADI) – FY21 Results

ADI delivered a solid FY21 result with FFO up 12.0% off the back of $182M of acquisitions. FFO per unit was up 3.1% after adjusting for the issue of new units during the year to fund the acquisitions. Like for like income growth was 2.1% with average rent collections of 99.9% for the year (compared to 98% in FY20). Acquisitions during the year have now weighted the portfolio to 67% Industrial and 33% business park office properties.

Following the acquisition of the Fund Manager (APN Property Group) by Dexus (ASX: DXS) on 13 August 2021, AQR is expected to change its name to the Dexus Industria REIT (expected ASX code: DXI), in October 2021.

Management has provided conservative FY22 guidance for FFO growth of -3% (or 19.3 cps) and distributions to remain stable at 17.3 cps. The guidance has potential upside upon the successful leasing of ~5,000 sqm at Rhodes Corporate Park, which is currently under offer. At current levels ADI is trading on a 5.1% yield and a 6.6% premium to its NTA of $3.20 per unit.

FY21 Results to 30 June 2021

FY21 results	FY21	FY20	Change
Earnings			
Statutory Net Profit*	**$119.2M**	$54.8M	+117.5%
Funds From Operations	**$41.2M**	$36.8M	+12.0%
FFO per security	**19.9 cps**	19.3 cps	+3.1%
Distribution per security	**17.3 cps**	17.3 cps	No change
Payout ratio	**86.9%**	89.3%	-2.4%

Movement over 12 months	As at Jun 2021	As at Jun 2020	Change
Balance Sheet			
NTA per security	**$3.20**	$2.82	+13.5%
Gearing %	**31.6%**	28.1%	+3.5%
Weighted average cost of debt	**2.65%**	2.9%	-0.25%
Weighted average debt maturity	**2.9 years**	2.9 years	No change
Borrowings	**$343.0M**	$242.0M	+41.7%
Portfolio			
Property Valuation	**$1,090.4M**	$846.6M	+28.9%
Occupancy rate	**98%**	94%	+4%
Number of properties	**39**	23	+16
Capitalisation Rate – Portfolio	**5.78%**	6.38%	-60 bps
WALE (Weighted Average Lease Expiry)	**5.4 years**	5.7 years	-0.3 years
Capitalisation Rate – Industrial	**5.50%**	6.14%	-64 bps
Capitalisation Rate – Office Business Parks	**6.36%**	6.69%	-33 bps

*Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes. Source: ADI.

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19 Aug 2021

HomeCo Daily Needs REIT (ASX: HDN) – FY21 Results

HDN delivered its first full year results since listing on 23 November 2020. The results are for 7 month period since listing and have been compared to original PDS forecasts for the period to 30 June 2021.

FFO was up 13.8% on the PDS forecast, due to acquisitions undertaken since the IPO. FFO per unit was +5% on the PDS forecast, after taking into account the issue of new securities to fund the acquisitions. HDN benefitted from the acquisitions, strengthening its position as a defensive portfolio with 88% of the portfolio in metro locations and 80% leased to national tenants. Rent collections have remained strong at 99% cash collection since IPO in November 2020.

Whilst gearing at June 2021 was low at 15.1%, this is expected to increase to around 35% once further acquisitions are settled. This is at the midpoint of HDN's target 30% - 40% range. HDN expects further capitalisation rate compression in its portfolio to support further NTA uplift.

Management reaffirm FY22 guidance for FFO of 8.3 cpu and provided distribution guidance of 8.0 cpu (96.4% payout ratio). The guidance is based on expectations of ~5% like for like net operating income growth, which includes 3.3% fixed rental increases. At current prices, HDN is trading on a FY22 distribution yield of 5.4% and a 8.5% premium to NTA.

FY21 Results to 30 June 2021

FY21 results	**FY21**	**PDS forecast**	**Change**
Earnings			
Statutory Net Profit*	**$31.3M**	-$7.3M	NA
Funds From Operations	**$21.4M**	$18.8M	+13.8%
FFO per security (on weighted units)	**4.1 cpu**	3.9 cpu	+5.0%
Distributions Paid	**$24.2M**	$20.5M	+18.0%
Distribution per security	**4.249 cpu**	4.2 cpu	+1.2%
Payout ratio	**113%**	109%	+4%
Movement over 6 months	**As at Jun 2021**	**As at Dec 2020**	**Change**
Balance Sheet			
NTA per security	**$1.36**	$1.34	+1.5%
Gearing (%)	**15.1%**	34.5%	-19.4%
Weighted average cost of debt	**2.4%**	2.6%	-0.2%
Weighted average debt maturity	**2.4 years**	2.9 years	-0.5 years
Borrowings – on balance sheet	**$414.8M**	$344.9m	+20.3%
Portfolio			
Property Valuation	**$1,111.8M**	$978M	+13.7%
Occupancy rate	**99.3%**	98.7%	+0.6%
Number of properties	**20**	19	+1 property
Weighted Average Capitalisation Rate	**5.63%**	5.95%	-32 bps
WALE (Weighted Average Lease Expiry)	**8.0 years**	8.1 years	-0.1 years

*Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes. Source: HDN.

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20 Aug 2021

Stockland (ASX: SGP) – FY21 Results

SGP reported FY21 results with FFO per unit -4.6% for the year, in line with management's previous guidance.

The result was impacted weaker returns in Residential Communities (-10.9%) as a result of abnormal gains from the prior year (which included gains from the Aura and the Grove projects). Residential lot settlements were strong at 6,374 (up 19.8% on FY20) with SGP expecting around 6,400 for FY22. Retirement Living (-6.9%) was also weaker as a result of reduced development settlement volumes. Commercial Property delivered a solid performance, up 3.9% with gains across all sectors (Logistics +2.5%, Workplace/Office +11.1%, Retail Town Centres +5.8%). A total of $495M of retail assets were sold during the period.

A strategic review is currently being undertaken by the new CEO Mr Tarun Gupta, which is expected to be completed by the end of 2021. Management has, however, indicated that it is looking at potential third party capital partners across the portfolio as part of the initiatives.

Management guidance for FY22 is for FFO of 34.6 – 35.6 cps with distributions to remain in the 75% - 85% payout ratio (or 26.0 – 30.3 cps). At current prices SGP is trading at a 13.6% premium to NTA and a FY22 distribution yield of 5.7% - 6.7% (midpoint 6.2%).

FY21 Results to 30 June 2021

FY21 results	FY21	FY20	Change
Earnings			
Statutory Net Profit*	**$1,105M**	**($21M)**	NA
Funds From Operations	**$788M**	**$825M**	-4.6%
FFO per security	**33.1 cps**	**34.7 cps**	-4.6%
Distribution per security	**24.6 cps**	**24.1 cps**	+2.1%
Payout ratio	**75%**	**70%**	+5%

Movement over 12 months	As at Jun 2021	As at Jun 2020	Change
Balance Sheet			
NTA per security	**$3.98**	**$3.77**	+5.3%
Gearing %	**21.4%**	**25.4%**	-4.0%
Weighted average cost of debt	**3.7%**	**4.0%**	-0.3%
Weighted average debt maturity	**5.3 years**	**5.7 years**	-0.4 years
Borrowings	**$4,252M**	**$5,022M**	-15.3%
Commercial Property Portfolio			
Property Valuation	**$9,337M**	**$8,890M**	+5.0%
Occupancy rate – Retail Town Centres	**99.1%**	**99.0%**	+0.1%
Occupancy rate - Logistics	**98.0%**	**96.3%**	+1.7%
Occupancy rate – Workplace/Office	**91.7%**	**93.6%**	-1.9%
Average Capitalisation Rate – Retail	**6.1%**	**6.1%**	No change
Average Capitalisation Rate – Workplace/Office	**5.6%**	**5.8%**	-20 bps
Average Capitalisation Rate – Logistics	**4.8%**	**5.7%**	-90 bps

Source: SGP. Note*Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes

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Appendix: Calendar of Reporting Dates

Mon 2 Aug	Tue 3 Aug	Wed 4 Aug	Thu 5 Aug	Fri 6 Aug
		Week 1		
	COF – FY21	BWP – FY21	CIP – FY21	
Mon 9 Aug	**Tue 10 Aug**	**Wed 11 Aug**	**Thu 12 Aug**	**Fri 13 Aug**
		Week 2		
CLW – FY21		ARF – FY21	GMG – FY21	
		CNI – FY21	MGR – FY21	
			CQE – FY21	
			GDF – FY21	
Mon 16 Aug	**Tue 17 Aug**	**Wed 18 Aug**	**Thu 19 Aug**	**Fri 20 Aug**
		Week 3		
GPT - 1H21	DXS – FY21	ABP – FY21	HDN – FY21	SGP - FY21
	CQR - FY21	AVN- FY21		
	AQR – FY21	VCX – FY21		
	SCP – FY21	ADI – FY21		
Mon 23 Aug	**Tue 24 Aug**	**Wed 25 Aug**	**Thu 26 Aug**	**Fri 27 Aug**
		Week 4		
CHC – FY21	SCG – 1H21	GOZ – FY21	CMW – FY21	WPR –1H21
GDI - FY21		AOF – FY21		
ENN – FY21		NSR – FY21		
ERF – FY21		HMC – FY21		
ECF – FY21				

Source: Company announcements, Core Property

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Ratings Process for A- REITs

Core Property Research evaluates recommendations on listed A-REITs continuously, based on a range of qualitative and quantitative criteria ranging from management, appropriateness of the A-REIT's capital structure and the property portfolio metrics. From a quantitative perspective, Core Property's recommendations are based on Total Expected Returns (forecast distribution yield plus forecast capital gain or loss) for a 12-month time horizon, using a range of valuation methodologies. The two most commonly used valuation techniques are Discounted Cash Flow (DCF), which uses an A-REI's expected free cash flow, and the net Asset Valuation (NAV) approach.

The 12-month Total Return is compared with set total return bands and assigned a 12-month recommendation based on the Recommendation Definitions below.

Recommendation Definitions

Recommendation	Definition
Buy	If the 12-month Total Expected Return is forecast to be 15% or more.
Accumulate	If the 12-month Total Expected Return is forecast to be at least 10% and less than 15%.
Hold	If the 12-month Total Expected Return is forecast to be at least 5% and less than 10%.
Reduce	If the 12-month Total Expected Return is forecast to be at least 0% and less than 5%.
Sell	If the 12-month Total Expected Return is forecast to be less than 0%.

At times of extreme volatility, it is quite possible that the recommendations will swing between each of our bands. During such times, Core Property will adopt a more flexible approach to recommending stocks, based on a slightly longer duration, and as such, recommendations may appear to be inconsistent when compared with the bands. This is to avoid clouding value judgments with short-termism.

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