Core Property
Fund Research & Ratings
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Unlisted Property Trust Report

Haben Number 8 Trust (Cleveland Shopping Centre)

January 2019

Top performing neighbourhood shopping centre
with development upside targeting 6.8%+ distributions

For wholesale investors only

Haben Cleveland Shopping Centre 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.

IMPORTANT NOTICE

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For further information, please refer to the Disclaimer & Disclosure notice at the end of this document.

Haben Cleveland Shopping Centre

January 2019

The Haben Number 8 Trust ("*the Fund*") is an unlisted property fund which will acquire the Cleveland Shopping Centre ("*the Property*") located in Cleveland QLD. The Fund has an initial term of five years. The Fund's Responsible Entity, Haben Property Fund Pty Limited (the "*RE*" or "*Manager*") is seeking to raise $60.65M via an equity offer of 60.65M units at $1.00 per unit ("*the Offer*"). The funds raised will be used, in conjunction with bank debt, to acquire the Property. The Offer is only available to Wholesale investors as defined in the Information Memorandum. The Directors of Haben intend to subscribe for a minimum 5% of units in the Fund on the same terms as unitholders, providing an alignment of interest.

The Property is a neighbourhood shopping centre at 100 and 111 Middle Street, Cleveland QLD, approximately 28kms south east of Brisbane. The centre is currently divided into two main buildings on either side of Middle Street. The north building is anchored by Coles and the south building is anchored by Woolworths. Other tenancies include 44 specialty stores, 2 mini major tenants, and 1,693sqm of non-retail space across both buildings and 729 car spaces. The Property is 93.7% occupied (by income), which increases to 100% after including a three-year rental guarantee by the vendor.

Core Property believes that the Property has attractive metrics: (1) the Weighted Average Lease Expiry (WALE) is 4.1 years; (2) the two supermarkets account for 22.6% of rental income; (3) a top performing Queensland neighbourhood shopping centre with retail sales exceeding $147M; and (4) robust demographic and retail spending profiles.

The Fund provides an attractive investment proposition as the Property is being acquired for $103M (including a $2.5M rental guarantee and $0.5M of incentives paid by the vendor) which represents an attractive price when compared to recent valuations over the past 3 years. The Manager is looking to reposition the centre to provide additional upside for investors which is expected to come through a combination of improved efficiencies at the centre, stronger occupancy levels as well as a planned centre expansion including current plans to add an ALDI supermarket and additional specialty stores. Core Property also notes that the existing centre is registered on three separate titles, which provides the option for the centre to be sold as two properties if this is in the best interests of investors.

The Fund is targeting distributions of 6.8% in the first year, increasing to 8.3% in the fifth year. The Fund has indicative terms for a five-year debt facility with an initial Loan-To-Valuation Ratio (LVR) of 49.5% against a bank LVR covenant of 59% with the interest rate fixed for the five-year term. Additional debt will be drawn down to fund the planned development with the LVR estimated to be between 45% - 52% based on current capitalisation rates. The Manager expects to finalise the terms of the debt facility prior to the settlement of the Property in May 2019.

Fees paid by the Fund are at the low end of what Core Property has seen in the market.

Core Property estimates a pre-tax Internal Rate of Return (IRR) of between 8.3% p.a. - 13.8% p.a. (midpoint 11.0%) based on the Manager's assumptions and assuming terminal capitalisation rates of 6.25% - 7.60% (*see Expected Future Performance*). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions and an IRR outside this range is possible based on the extent to which the Property can be repositioned.

Investor Suitability

In Core Property's opinion, the Fund would suit investors who seek an attractive distribution yield supported by a well-positioned retail shopping centre. Downside risk is somewhat mitigated by the attractive acquisition price whilst the Property provides upside potential from the Manager's repositioning strategy and expansion plans. The Fund should be considered as part of a Core Plus investment strategy.

The Fund is illiquid, and investors should expect to remain invested for the minimum initial term of five years.

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:	29 January 2019
Offer Close[1]:	20 February 2019
Min. Investment:	$250,000
Unit Entry Price:	$1.00[2]
Net Tangible Asset per unit:	$0.87
Liquidity:	Illiquid
Forecast Distributions:	6.8 cpu – 8.3 cpu[3]
Distribution Frequency:	Quarterly
Initial Investment Period:	5 years to May 2024

1. Indicative only. The RE has reserved the right to close the Offer early of extend the Offer.
2. An initial deposition of $0.20 per unit is required by 20 February 2019, with the balance of $0.80 per unit due on 14 May 2019.
3. Based on the Manager's forecasts.

Fund Contact Details

Ben Finger
Managing Director
Ben@haben.com.au
Phone: 02 9302 5900

Trust – Website

www.haben.com.au

Note: This report is based on the Haben Cleveland Shopping Centre Information Memorandum dated 29 January 2019, together with other information provided by Haben Property Fund Pty Ltd.

Key Considerations

Management: Haben Property Fund Pty Ltd is a specialist investor and manager of direct property investments. Established in 2009, Haben has acquired over $500M of property, focussing on food and service-based supermarkets. Haben currently manages five other unlisted property funds. Management intend to subscribe for a minimum 5% of units in the fund on the same terms as conditions as unitholders, providing an alignment of interests.

Property: The Fund's sole asset is the Cleveland Shopping Centre located at 100 and 111 Middle Street, Cleveland QLD. The Property consists of two retail buildings separated by Middle Street. The north building is anchored by Coles whilst the South building is anchored by Woolworths. The site has a total gross lettable area of 15,654 sqm. It also includes basement parking in the north building and a former council carpark for the south building. The Property is currently 93.7% occupied (by income), which increases to 100% after including a $2.5M rental guarantee by the vendor for the first three years, with a WALE of 4.1 years. Anchor tenants Woolworths and Coles occupy 48.4% of GLA and account for 22.6% of rental income.

Acquisition price: The Property is being acquired for $103M (including a $2.5M rental guarantee and $0.5M of incentives paid by the vendor), which is an attractive price when compared to valuations of $102M - $120M over the past 3 years. The attractive acquisition price reduces risk for investors and provides potential for higher returns at exit.

Core Plus strategy: Management have indicated a 3-phase strategy in order to maximise capital value for the Fund's investors. During the first two years, the Property will be actively managed with a focus on improving leasing and identifying operational savings. In years three and four the Manager plans to expand the centre and is currently considering the inclusion of an ALDI supermarket as well as additional specialty stores. In the final year, the Manager will look at exit opportunities for the Fund which may include selling the centres as separate sites as well as considering possible mixed-use developments at the site.

Demographics: The Property is located in the centre of Cleveland, approximately 28km south east of the Brisbane CBD. The main trade area population is expected to grow by 1.3% p.a., reaching around 139,200 persons in 2031 (from 118,100 in 2018). Retail expenditure from the Cleveland centre in the calendar year 2018 was estimated to be around $1.67B. This is expected to increase at an annual rate of 4.1% to $2.8B by 2031. Around 45% or $763.7M of this spend will be food and grocery oriented. As such, the metrics are strong and adds to the attractiveness of the Property.

Debt Profile: The Fund has indicative terms for a five-year debt facility for $53.0M at an all-in-cost of 4.25% p.a., fixed for the five-year term. The initial Loan to Valuation Ratio (LVR) of 49.5%, provides a 18.6% buffer to the LVR bank covenant of 59.0%. The initial Interest Coverage ratio (ICR) of 3.1x is above the bank ICR covenant of 2.0x which is supported by the rental guarantee from the vendor. The Fund is expected to draw down an additional $4.8M in debt to fund the planned expansion, with the LVR estimated to be in the 45% - 52% range, based on current capitalisation rates.

Initial NTA: The Fund's initial NTA is $0.87 per unit with the majority of the dilution coming from stamp duty costs.

Distributions: The Manager is forecasting distributions of 6.8% (annualised) in the first year, increasing to 8.3% in year five.

Fees: Core Property considers the fees to be on the low end of what has been seen in the market across all categories (*see Figure 5: Fees in Perspective*).

Total Returns: Core Property estimates the Fund to deliver an IRR of between 8.3% and 13.8% (midpoint 11.0%) based on the Managers strategy to reposition the Property and undertake an expansion and assuming terminal capitalisation rates of 6.25% - 7.60%. Investors should be aware the Fund is exposed to a capital gain or loss based on the extent to which the Property can be repositioned in addition to overall market conditions, which may deliver an IRR outside this range.

Illiquid investment: The Fund should be considered illiquid and investors should expect to remain invested for the initial minimum five-year term to May 2024.

Investment Scorecard

Management Quality	★★★★☆
Governance	★★★★☆
Portfolio	★★★☆☆
Income Return	★★★★☆
Total Return	★★★★☆
Gearing	★★★☆☆
Liquidity	★☆☆☆☆
Fees	★★★★☆

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Trust Structure

An unlisted property fund investing in a neighbourhood shopping centre located in Cleveland, QLD.

Management

Haben Property Funds Pty Ltd is a specialist investor and manager of direct property investments. Established in 2009, Haben focusses on acquiring food and service-based shopping centres and has managed over $500M of properties across nine funds. Management intend to subscribe for a minimum of 5% of units in the Fund on the same terms and conditions as unitholders.

Property Portfolio

No. of Properties:	1
Valuation:	$100M (excluding rental guarantee/incentives)
Property Location:	110 and 111 Middle Street, Cleveland QLD 90-91 Middle Street, Cleveland QLD (postal address)
Property Sector:	Retail
Key Tenants:	Woolworths (12.7% of income), Coles (9.9% of income).
Occupancy:	100.0% (including rental guarantee) 93.7% (excluding rental guarantee)
WALE:	4.1 years (by income)

Return Profile

Forecast Distribution:	6.8% (year 1) increasing to 8.3% (year 5)
Distribution Frequency:	Quarterly, commencing period ending 30 June 2019
Tax advantage:	To be confirmed
Estimated Levered IRR (pre-tax, net of fees):	8.3% - 13.8% (midpoint 11.0%) based on the Manager's assumptions
Investment Period:	5 years from acquisition date

Risk Profile

Property/Market Risk:	Capital at risk will depend on a single asset property in Cleveland, QLD. Investors will be exposed to a potential capital gain or loss, based on market conditions.
Interest Rate Movements:	The Manager has fixed the borrowing cost for the initial five years of the Fund. Any additional borrowings may be impacted by changes in the cost of debt and may impact the distributable income in the remaining term of the Fund.
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 the "Risk Factors" section of the Information Memorandum.

Fees Paid

Core Property considers the Fees charged by the Fund to be at the low end of what has seen in the market (see Figure 5: Fees in Perspective).

Entry Fees:	Nil
Exit Fees:	Nil
Establishment Fee (Property Acquisition Fee):	1.25% of purchase price
Property Disposal Fee:	0.50% of the Gross sale price of the Property.
Ongoing Management Fees:	0.40% p.a. of GAV of the Fund
Fund Costs and Expenses:	0.20% p.a. of GAV of the Fund (est.)
Performance Fee:	A 20% Outperformance fee over an IRR hurdle rate of 10%.

Debt Metrics – Indicative Terms

Initial Debt / Facility Limit:	$53.0M / $53.0M
Loan Period:	Five Years expiring May 2024
Initial LVR / LVR Covenant:	49.5% / 59.0% (assumes $3.5M offset to initial loan amount at settlement)
ICR / ICR Covenant:	3.1x / 2.0x

Note: Debt metrics are indicative only and subject to finalisation of debt facility by the Manager, expected by May 2019.

Legal

Offer Document:	Haben Number 8 Trust Information Memorandum, dated 29 January 2019
Wrapper:	Unlisted Property Trust
Responsible Entity & Trustee:	Haben Property Funds Pty Limited (ACN 139 914 775, AFSL 342515)
Custodian:	Trust Company Australia Limited (ACN 004 027 749)
Manager:	Haben Management Pty Limited (ACN 142 446 866, AFSL 237500)

Overview

The Fund is a closed-ended, single asset, unlisted property fund that provides an opportunity to invest in the Cleveland Shopping Centre, located at 100 and 111 Middle Street, Cleveland, Queensland ("the Property"). Haben Property Funds Pty Limited, the Responsible Entity ("the RE") is seeking to raise $60.65M in equity through the issue of 60.65M units at $1.00 per unit ("the Offer") with a minimum investment of $250,000 for wholesale investors only. Haben management intend to subscribe for a minimum of 5% of units in the Fund on the same terms and conditions, providing an alignment of interests for unitholders.

The Property is a neighbourhood shopping centre located in Cleveland, approximately 28 kms south east of the Brisbane CBD. The centre is a strong performing retail centre, located one block from the Cleveland railway station. The Property consists of a north building anchored by a Coles supermarket and a south building which is anchored by Woolworths, with 44 specialty shops and car parking for 729 vehicles. Coles and Woolworths account for 22.6% of the rental income.

The Fund has an initial term of five years and the Manager, Haben Property Fund Pty Ltd, is targeting distributions of 6.8% (annualised). in the first year, increasing to 8.3% (annualised) in the fifth year.

The acquisition price of the Property is $103M, which compares favourably to valuations of the Property of $102M - $120M over the past three years. The lower acquisition price reduces the capital risk for investors and provides more potential for capital gain on exit. The acquisition price includes a payment by the vendor to the Fund of $3.0M to cover a $2.5M rental guarantee during the initial three years as well as $0.5M of incentives.

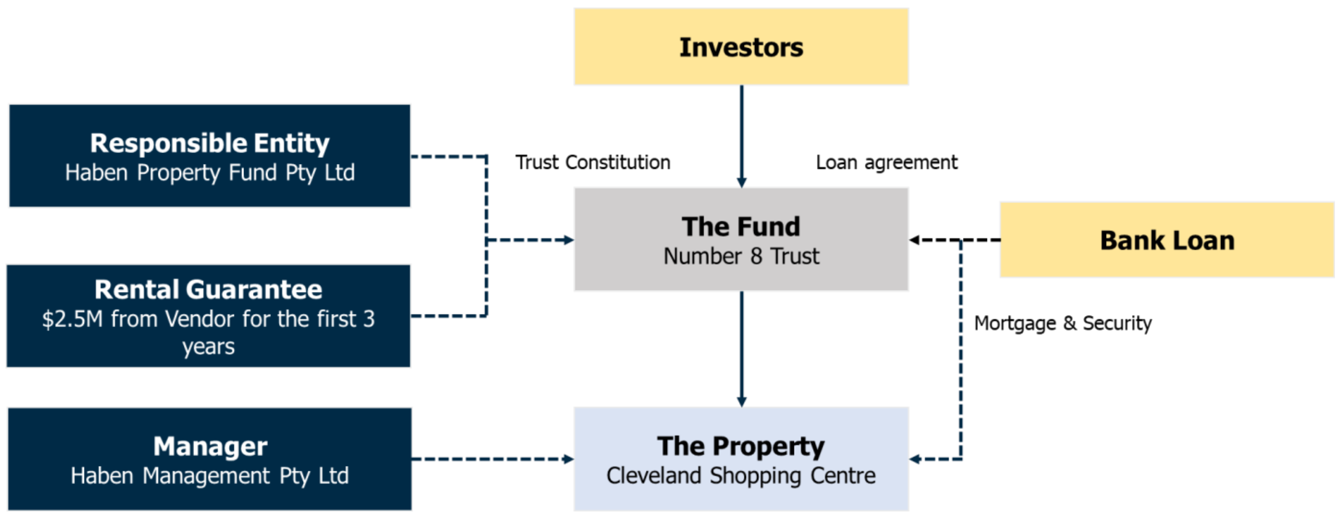
The Manager is seeking to undertake a number of initiatives to improve the performance of the centre to increase returns for investors. A more active management of the centre will be undertaken to support tenancies and improve efficiencies. The Manager will also look to expand the site in years 2-4 and is considering the introduction of an ALDI supermarket as well as additional specialty stores. The initiatives are designed to improve the value of the Property, with the Manager targeting the value of the centre to increase to around $147M in year five of the Fund, providing an opportunity for investors to exit.

The Manager has indicative terms for a five-year debt facility for $53.0M, fully hedged at an all-in cost of debt of 4.25%. The initial Loan To Valuation Ratio (LVR) is 49.5% against a bank covenant of 59%. The LVR is estimated to range between 45% - 52% over the five-year term, which includes a $4.8M increase in debt to fund the centre expansion. The initial Interest Cover Ratio (ICR) of 3.1x is above the bank ICR covenant of 2.0x and is supported by the rental guarantee from the vendor during the initial three years. The Manager expects to finalise the debt terms prior to settlement in May 2019.

Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of between 8.3% - 13.8% p.a. (midpoint 11.0% p.a.) based on the Manager's forecast assumptions (see section on *Expected Future Performance*). Investors should be aware the Fund is exposed to a capital gain or loss based on the extent to which the Property can be repositioned in addition to overall market conditions.

The Fund should be considered illiquid and investors should expect to remain invested for the Fund's initial term of five years to benefit from potential returns. The Manager may sell the Property prior to this time and return proceeds to investors, or the Fund may be extended beyond this time if the Manager considers it to be in the best interests of investors.

Figure 1: Fund structure



Source: Haben, Core Property

Repositioning strategy

The Manager is looking to employ a 3-phase plan at the centre to maximise capital returns for Unitholders. The active management strategy includes:

Phase 1 – Years 1 and 2:

- Hands-on centre management – The Manager will more actively engage with tenants at the centre and customers through a hands-on relationship to help identify areas of improvement.
- Operational Savings – The Manager has identified areas of improvement regarding operational expenses, including the employment of more cost-effective contractors to improve cash flows for investors.
- Capital Expenditure – The Manager is budgeting around $3.0M in capital expenditure to undertake upgrades at the centre.
- Active Retail Leasing – Cleveland Shopping Centre has a vacancy rate of 6.3% (by income). An active leasing campaign will be employed to lease off the remaining vacancies. The Manager has also indicated its desire to remix the tenant portfolio for more food and services focused tenants in order to meet the changing consumer preferences.
- Promotion – Currently, a main portion of the marketing budget goes to head office expense. Upon the acquisition this allocation will be reduced where a higher proportion is to be allocated on the promotion of the Centre.

Phase 2 – Years 2 to 4:

- Centre expansion – The Manager will consider plans to expand the Centre and is already in discussions with ALDI to construct a new supermarket at the site. ALDI has confirmed its interest in the Centre and have made prior offers to trade in the Centre based on a specific plan. Any possible expansion would require council approval and is estimated to be completed by the third year of the Fund.
- Specialty Expansion – As part of the Centre expansion the Manager will also look at additional floor space for specialty retailers at the site.

Phase 3 – Year 5:

- Mixed use scenario on site – The current zoning of the Property allows for up to 8 stores at the site with the potential for mixed use and residential development. At the moment the Manager has not made any intentions to undertake any such development, but this may be considered at a later stage.
- Exit – The Manager will look at exit options for the Property. This may include selling the Property in its entirety or selling the north and south buildings as separate sites. The Property is registered across three titles (consisting of the north building, the south building and the south car parking site) which would allow a split sale to occur.

Liquidity / exit strategy

Investors should view the Fund as illiquid in nature and expect to remain invested for the initial five-year term of the Fund. The Manager may also extend the Fund for two years at a time at its discretion.

Investors should be aware that the Manager may sell the asset and wind up the Fund earlier if it considers it in the best interests of Unitholders.

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	60.6		53.4%
Bank debt	53.0		46.6%
Total sources of funds	**113.6**	**110.3%**	**100.0%**
Application of funds			
Purchase price	103.0	100.0%	90.6%
Acquisition Costs (Stamp Duty etc.)	5.9	5.7%	5.2%
Managers' Fee	1.3	1.3%	1.1%
Finance Establishment Fees	0.4	0.4%	0.4%
Working Capital	3.0	2.9%	2.7%
Total application of funds	**113.6**	**110.3%**	**100.0%**

Source: Haben, Core Property

Debt Facility & Metrics

The Manager has indicative debt terms for an initial five-year $53.0M debt facility, fully hedged at an all-in-cost of debt of 4.25% p.a.

- The initial Loan to Valuation Ratio (LVR) is expected to be 49.5%, against a bank LVR covenant of 59%. The initial LVR is based on the assumption that the initial loan amount of $53.0M is reduced to $49.5M on settlement (from $3.0m in working capital and $0.5M payment from the vendor) with the capacity to draw back to $53.0M. Core Property calculates that the value of the Property must fall by 18.6% for the initial LVR covenant to be breached.
- The initial Interest Coverage Ratio (ICR) is 3.1x against a bank ICR covenant of 2.0x. Core Property calculates the net operating income must fall by 35.5% for this covenant to be breached.

The Manager expects to finalise the debt facility prior to the settlement of the Property in May 2019. Investors should be aware that any change in the final debt terms may impact final returns provided by the Fund. The Manager also intends on increasing the debt by around $4.8M to fund its development plans. The additional debt is expected to increase the LVR to a maximum of 52% and the ICR is estimated to reduce to 2.9x, based on the Manager's assumptions and at current capitalisation rates. The Manager may consider financing the capex through an expansion of existing bank facilities, as well as other financing options (eg. debt funds).

Figure 3: Debt Metrics

Details	Metric
Bank	To be confirmed on settlement, May 2019
Security	First ranked mortgage secured against the Property
Debt Facility Limit/ drawn debt	$53.0M / $53.0M
Loan Period	Five years to May 2024
% Hedged	100% for five years
All-in cost of Debt	4.25%
Initial LVR / Peak LVR/ LVR Covenant	49.5% / 52% / 59%
Initial interest covered ratio (Lowest ICR) / ICR covenant	3.1x / 2.0x
Amount by which valuation will have to fall to breach LVR covenant	18.6%
Decrease in rent income to breach ICR covenant	35.5%

Source: Haben, Core Property

Fees Charged by the Fund

Overall, Core Property considers the fees charged to be at the low end of what we have typically seen in the market. Core Property notes the Manager's fees are consistently lower across all category types.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee:	Nil	
Exit Fee:	Nil	
Fund Establishment Fee (Acquisition Fee):	1.25% of the Purchase price payable upon settlement and issuance of the units.	Core Property considers the Fee to be at the low end of the industry average of 1.0% - 2.0%.
Disposal Fee:	0.5% of the gross sale price of the Property upon disposal.	The Disposal Fee covers any external agency selling costs and is at the low end of the industry average of around 1.0% - 2.0%.
Fees & Expenses – Management Fee, Property and Facilities, Expenses, Custody Fees	Management Fees of 0.4% p.a. of the Gross Asset Value (GAV). Other costs and expenses are estimated at 0.20% p.a. of the GAV.	Core Property considers the Fees to be at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Performance Fee:	20% of the Fund's outperformance over a 10.0% annual hurdle rate.	Core Property considers the Fee to be in line with industry practice.

Source: Haben, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the RE over the term of the Fund as a percentage of all cash flow generated after deducting interest costs by before management fees and performance fees.

Core Property estimates that Haben is entitled to 4.2% of the total cash flow. Core Property considers the fees paid to the Manager to be attractively priced when compared to similar products, which are typically around 7% - 9%. In terms of the fees paid to the Manager, Core Property estimates that 31.3% of the estimated fee is paid upfront and the remainder relates to ongoing management fees. Core Property stresses that these are estimates of how much investors will receive and not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective – over an estimated five-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:	$0.55
Total cash to investors:	**$1.55**
Acquisition fee:	$0.02
Base management fee:	$0.04
Disposal fee:	$0.01
Fees for the RE (excluding disposal/admin):	**$0.07**
Total cash generated by Fund:	**$1.62**
Fees = % of total cash generated (before fees)	4.2%
Up-front fee vs total fees	31.3%

Source: Core Property estimates

The Property

The Property is an amalgamation of two separate malls located on either side of Middle Street at 100 and 111 Middle Street, Cleveland, QLD. The north building is anchored by Coles whilst the south building is anchored by Woolworths. These tenants are complemented by a range of food and service-based stores including 2 mini majors (Reject Shop and Malouf Pharmacies) and 44 specialty shops and dining venues. The Property also includes non-retail tenants such as Australia Post, Commonwealth Bank and National Australia Bank.

The Centre first opened in 1984 following the completion of the southern building in 1983, followed by the addition of the northern building in 1996. The northern building includes two levels of basement car parking for 362 vehicles, the southern building is served by an at-grade car park consisting of 141 spaces to the west with an additional 226 spaces provided to the immediate south form the recently acquired council car parking land in 2018. Overall, the site area is 3.75 ha with the total gross lettable area is 15,654 sqm. The Property has a WALE of 4.1 years (by income) as at January 2019, with the 2 main anchors being Coles and Woolworths.

The Property is strategically located in the heart of Cleveland which resides 28kms south east of the Brisbane CBD. The Cleveland Shopping Centre is easily accessed by public transport with the Cleveland railway station located a block away and bus stops just outside the shopping centre. Cleveland Shopping Centre's total trade area population is estimated to be 118,100 persons (2018) with annual population growth forecast of 1.3% till 2031 (Source: Location IQ). The Cleveland suburb will also benefit from certain development proposals including a development approval which has been granted for a retail centre along Doig Street which would include a supermarket of 1,634 sqm, as well as the development of Toondah Harbour which would result in up to 3,600 new dwellings. The growth in this area would positively impact Cleveland Shopping Centre.

The Centre has been one of the top performing neighbourhood shopping centres in Queensland with an annual turnover of over $147M (including around $100M from the anchor tenants Coles and Woolworths). The competing retail offerings in the area include:

- An IGA supermarket of 1,413 sqm, located 1.6km to the North West of the Property,
- Crystal Waters Shopping Centre located 6km to the south of Cleveland Shopping Centre, anchored by an IGA supermarket (700 sqm),
- Alexandra Hills Shopping Centre (12,344sqm) located about 5km to the west of Cleveland Shopping Centre, anchored by a Woolworths supermarket, and
- Retail centres at Capalaba approximately 8km to the west of the Property.

Figure 6: Cleveland Shopping Centre, Cleveland QLD

Source: Haben

Property Valuation

An independent valuation was undertaken by m3property in January 2019 valuing the Property at $100M excluding $3M of adjustments (a $2.5M rental guarantee and $0.5M of incentives provided by the vendor). The valuation is in line with the acquisition price of $103M which includes these adjustments.

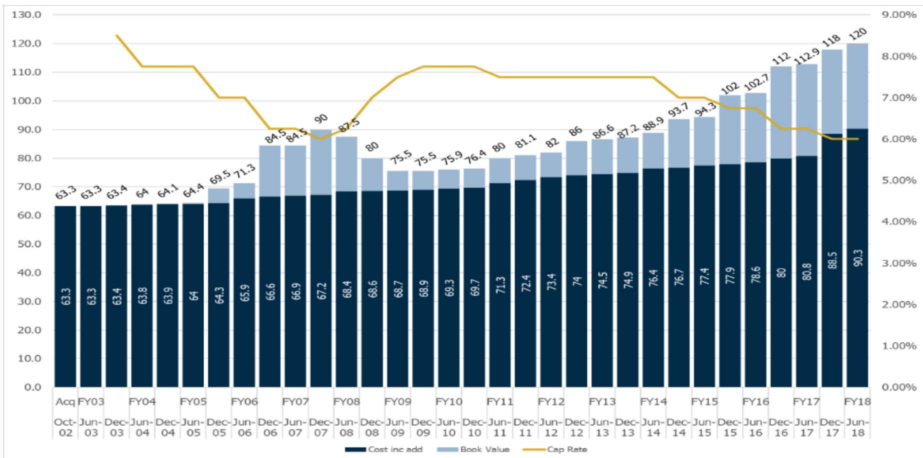
Figure 7: Valuation Metrics

Cleveland Shopping Centre, Cleveland QLD	
Title	Freehold
Acquisition date:	May 2019 (expected settlement date)
Ownership	100%
Site Area	37,500 sqm
Gross Lettable Area	15,654 sqm
Major Tenant	Woolworths - 4,031 sqm (25.9% of GLA) Coles - 3,536 sqm (22.7% of GLA)
Weighted Average Lease Expiry	4.1 years (by income)
Occupancy	93.7% (by income)
Initial net passing income	$6.43M p.a.
Net Market income (fully leased)	$7.06M p.a.
Purchase price	$103M (including rental guarantee and incentives) $100M (excluding rental guarantee and incentives)
Valuation	$100M (excluding rental guarantee and incentives, January 2019)
Passing initial yield	6.4%
Capitalisation rate	7.1%
Valuer	m3property (January 2019)
Valuer's Discount rate	7.50% (based on prior valuation of $118M by JLL in December 2017)
Value/sqm	$6,388 per sqm
Valuer's unleveraged 10-year IRR	7.47% (based on prior valuation of $118M by JLL in December 2017)

Source: Haben, M3, JLL

Historical Valuation: The Property is being sold to the Fund by Stockland (ASX: SGP) which originally purchased the Property in October 2002 for $63.3M. As at June 2018, Stockland reported a book value for the Property of $120.0M, with a total development cost of $90.3M. It should be noted the council car parking site was only included in the valuation from December 2017 onwards. Occupancy levels since October 2002 have been between 93.7% - 100% (average 98.2%). Stockland is expected to revalue the Property when it reports results on 20 February 2019.

Figure 8: Historical Book Value of Cleveland Shopping Centre – when owned by Stockland



Source: Stockland (ASX: SGP) ASX announcements

Key Tenants

The property is anchored by two major tenants, Coles and Woolworths. Coles has a lettable area of 3,536 sqm with the lease expiring 26 October 2027. It anchors the north building with a total rent of $980,741 p.a.

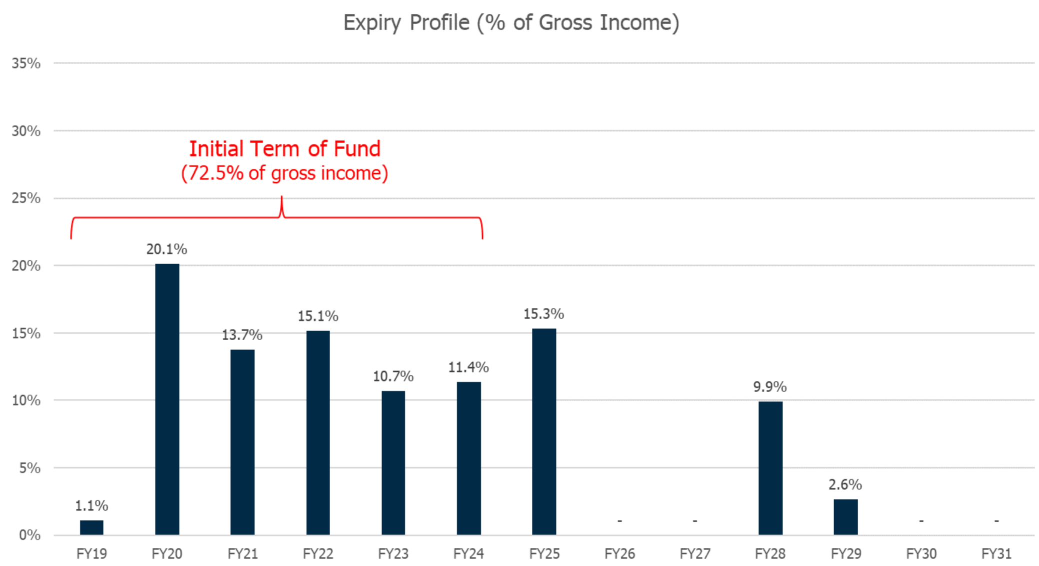
Woolworths has a lettable area of 4,032 sqm with the lease expiring 27 August 2024. It anchors the south building with a total rent of $1,643,835 p.a. The Manager has spoken with Woolworths who have indicated their desire to complete a $5M full store refit. Given that the exercised 5-year option is expected to commence in August 2019, a refit is a reasonable assumption that Woolworth intends to enter into a long-term lease prior to the expiry of their current lease in August 2024. Together, the major tenants account for nearly half of the gross lettable area with specialty stores accounting for the majority of the remaining lettable area.

Figure 9: Valuation Metrics

Type	# of Tenants	Area (sqm)	% of Gross Lettable Area
Majors (Coles and Woolworths)	2	7,568	48.4%
Mini Majors	2	1,417	9.1%
Specialties	44	5,486	35.1%
Kiosks	6	121	0.8%
Pad Site	2	38	0.2%
Vacant	8	1,019	6.5%
Total	**64**	**15,654**	**100%**

Source: Haben

Figure 10: Property lease expiry (by gross income)



Note: Based on June year-end periods. Includes Woolworths' lease option exercised to August 2024. Source: Haben, Core Property

Occupancy Costs

The Manager has advised that occupancy costs for the Property's specialty tenants average around 13.8% currently, which is slightly above the Urbis average of 12.7%. Occupancy costs have been reducing over the past few years (from around 15.4% from 2 years ago), off the back of stronger sales at the centre. Core Property notes the Manager's strategy includes a greater focus on promotions at the Centre and driving stronger sales, which is expected to reduce occupancy costs in future years.

Market Sales

The table below shows the comparable sales transactions for neighbourhood shopping centres over the past 2 years. The sales evidence suggest the Property is being acquired at an attractive price and yield when compared to larger transactions ($50M+) in QLD and NSW over the past 2 years.

Figure 11: Recent transaction evidence

Property	State	Sale Date	Sale Price	Passing Yield	Price per sqm ($ psqm)
Queensland Neighbourhood Centres					
Yamanto Village & LFR Centre	QLD	Nov-18	$35.3M	6.95%	$2,813
Gabba Central	QLD	Jun-18	$23.4M	NA	$5,299
Nundah Village	QLD	May-18	$36.6M	NA	$7,028
Kallangur Fair SC	QLD	Apr-18	$21.4M	6.44%	$4,548
Ferny Grove Village	QLD	Apr-18	$16.2M	7.69%	$3,675
Morningside Plaza	QLD	Mar-18	$23.8M	5.10%	$5,371
The Hub, Westlake	QLD	Feb-18	$10.1M	6.51%	$6,051
St Ives SC	QLD	Feb-18	$30.4M	8.49%	$2,484
Marketplace Deagon	QLD	Jan-18	$23.3M	7.17%	$3,881
Range (Qld 12 months)				**5.10% - 8.49%**	**$2,484 - $7,028**
Large Neighbourhood Centres ($50M+)					
Mango Hill Marketplace	QLD	Oct-17	$61.0M	5.55%	$7,759
Marketplace Warner	QLD	Sep-17	$78.4M	5.19%	$6,667
Chester Square	NSW	Sept-17	$68.5M	3.78%	$8,283
East Village Zetland	NSW	Aug-17	$154.7M	5.25%	$9,357
Range (Large sales NSW, QLD – 24 months)				**3.78% - 5.55%**	**$6,667 - $9,357**
Cleveland Shopping Centre			**$103M**	**6.4%**	**$6,613**

Source: Haben

Market Rental

The table below shows average rental income at the centre. Core Property notes the anchor tenants, Coles and Woolworths generate around $100M in annual gross sales at the Property and currently pay percentage rent based on the higher sales.

Figure 12: Recent at Cleveland Shopping Centre

Tenant	Gross Average Rent per sqm	% of GLA	Core Property Comments
Coles	$283	22.7%	Currently paying percentage rent
Woolworths	$442	25.9%	Currently paying percentage rent
Large Format	$508	9.1%	
Specialties & Kiosks	$1,059	42.3%	Slightly above Urbis averages of $909 per sqm
Cleveland Shopping Centre	**$621**	**100%**	

Source: JLL Valuation

Main trade area analysis

The following is a review of the demographic profile of the Cleveland, QLD trade area as provided by Location IQ.

- The average per capita income, the average household income, and number of persons per household are generally in line with the Australian average.
- The estimated resident population in the main trade areas is forecast to grow around 1.3% p.a. till 2031.
- The growth in retail spending is estimated to be strong, increasing by an average 4.1% p.a. till 2031. This level of growth should support a thesis of maintaining high occupancy in the Centre.

Figure 13: Main trade area analysis

Main trade area analysis as at 2016	Cleveland Trade Area	Brisbane Metro Average	Australian Average
Average per capita income ($)	$37,963	$38,906	$38,500
Average household income ($)	$98,029	$102,398	$98,486
Average household size (persons)	2.6	2.6	2.6

Source: Location IQ

Figure 14: Expected retail expenditure growth in the main trade area

Cleveland Centre Trade area	2018	2031	Avg. growth
Estimated resident population - (persons)	118,100	139,200	1.3%
Retail expenditure per annum ($)	$1,67B	$2.8B	4.1%

Source: Location IQ

Capex

Management have indicated $3.0M in capital expenditure to be used for an initial capital works program. This program focuses on general repairs and any upgrades to shopping centre facilities.

Phase 2 is expected to cost round $4.8M. Of this total, around $3.3M has been allocated for the possible ALDI expansion with $1.5M for the specialty store expansion.

The $3.0M capex will be funded by the initial equity raising, whilst the $4.8M expansion will be funded by additional debt.

Financial Analysis

Core Property has undertaken a financial forecast of the Fund based on the Manager's assumptions as provided in the IM. The key observations are:

- The Manager is forecasting distributions of 6.8% (annualised) in the first year, which Core property expects to increase to 8.3% (annualised) in year five.
- The Manager assumes 5% Additional Leakage in the first year to cover possible vacancies and minor incentives. If this is not required, the Manager has advised that the amount will remain in the Fund as cash.
- Forecasts include a Rental Guarantee of $2.5M ($833K p.a.) provided by the vendor, Stockland, to cover any vacancies over the first three years of the Fund.
- Forecasts assume the Manager is able to reach 100% occupancy at the centre by the fifth year.
- Forecasts assume $3.0M in capital expenditure, plus an additional $4.8M in capital expenditure to cover expansion costs for a possible new ALDI supermarket and specialty stores at the site.

A summary of the Manager's forecasts from the Information Memorandum is presented below.

Figure 15: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast $M	Year 1	Year 2	Year 3	Year 4	Year 5
Net Property Income	6.6	7.2	7.5	7.8	8.0
Additional Leakage %	5.0%	5.0%	5.0%	5.0%	5.0%
Additional Leakage $M	-0.3	-0.4	-0.4	-0.3	-0.3
Adjusted Net Income	**6.3**	**6.9**	**7.2**	**7.5**	**7.7**
Net Interest	-2.1	-2.3	-2.4	-2.4	-2.5
Trustee, Leasing & Legal Fees	-0.2	-0.2	-0.3	-0.2	-0.2
Incentives	-0.2	-0.2	-0.3	-0.1	-0.2
Rental Reversions	-0.0	-0.1	-0.2	-0.3	-0.4
Rental Guarantee	0.8	0.8	0.8		
Centre Expansion			0.5	0.9	1.0
Management Fee	-0.4	-0.4	-0.4	-0.4	-0.4
Distributable Funds	**4.2**	**4.5**	**4.9**	**5.0**	**5.0**
Distributions to Investors	**4.1**	**4.5**	**4.8**	**4.9**	**5.0**
Distributions per Unit (cpu)	**6.8**	**7.3**	**7.9**	**8.2**	**8.3**
Distribution Yield % (Annualised)	**6.8%**	**7.3%**	**7.9%**	**8.2%**	**8.3%**

Forecast Balance Sheet – $M	On acquisition (est 1 Feb 2019)
Cash	3.0
Investment Properties	103.0
Total Assets	**106.0**
Bank Borrowings	53.6
Total Liabilities	**53.6**
Net Assets	**52.4**
Debt/ Total assets	**50.5%**
NTA per unit	**$0.87**

Source: Haben, 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 Fund.

In this case, the starting NTA is $0.87, with most of the dilution coming from stamp duty costs.

Figure 16: Initial NTA

Amount per unit	$ per unit
Issue Price	$1.00
Less:	
Stamp Duty/Acquisition Costs	-$0.10
Acquisition Fee	-$0.02
Debt & Fund Establishment costs	-$0.01
NTA per unit (with capitalised costs)	**$0.87**

Source: Core Property

Expected Future Performance (IRR Sensitivity)

Core Property has estimated the total return from the Fund based on the assumptions provided by the RE.

Using these assumptions Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 8.3% - 13.8% (midpoint 11.0%). The calculations assume the Manager undertakes an expansion of the centre to include a new ALDI supermarket and specialty stores, with debt fully fixed during the five-year term of the Fund. The Manager has assumed a terminal capitalisation rate of 6.25% can be achieved as a result of the expansion, in order to deliver an IRR of 13.6%. If the Property did not undertake the expansion we estimate the IRR's to be between 6.1% - 12.0% (midpoint 9.0%), a reduction of around 1.8% - 2.2%.

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

The table below summarises our expected IRRs.

Figure 17: Pre-tax, 5-year IRR (after fees) sensitivity analysis

Terminal cap rate	Cost of Debt 4.25% fixed for 5 years	
	No expansion	With ALDI + Specialties expansion as per Manager's strategy
6.10%	12.6%	14.4%
6.25%	12.0%	**13.8%**
6.60%	10.6%	**12.4%**
7.10% (base)	8.4%	**10.4%**
7.60%	6.1%	**8.3%**
8.10%	4.0%	6.1%

Source: Core Property

Management & Corporate Governance

Haben Property Fund Pty Ltd is a specialist investor and manager of direct property investments. Haben was established in 2009 with a strategic focus on acquiring food and service-based Shopping centres. The Management team has a proven track record in acquiring high quality, low risk assets across the eastern seaboard of Australia. Its investments have also extended to commercial, industrial and mixed-use property.

Core Property has reviewed the composition of the RE board and believes that it has the relevant skills and experience to operate the Fund successfully. Each Director has demonstrable property and investment management skills. We summarise the background of the directors and key managers, as provided in the IM.

Figure 18: The Board of the Responsible Entity

Name & Role	Experience
Harold Finger OAM Principal and Group Development Manager	Harold brings a wealth of knowledge in property development, property investment and management. Having qualified as an architect he has designed and developed properties in all asset classes. Over his career he has worked in numerous partnerships and privately in development projects both domestically and internationally. Harold is responsible for investment decisions and value add opportunities.
Ben Finger Principal and Group Managing Director	Ben holds over 15 years' experience in the Australian property market where he has been involved in development and site acquisitions. His role involves site identification, finance, strategy and management.
Graham Fox Responsible Manager	Graham brings over 25 years of experience in Financial services where he specialised in Wholesale and Retail Funds Management. He has run his own asset consulting business, FOX Asset Management and served as the principal consultant and CEO of FOX Wealth Management which was established a few years after. Prior to his own businesses, Graham worked for other notable organisations such as Challenger, Westpac Private Bank, Deutsche Funds Management, Banque Nationale de Paris and Standard & Poor's Australia.

Source: Haben

Figure 19: Investment Committee

Name & Role	Experience
Harold Finger OAM Principal and Group Development Manager	Harold brings a wealth of knowledge in property development, property investment and management. Having qualified as an architect he has designed and developed properties in all asset classes. Over his career he has worked in numerous partnerships and privately in development projects both domestically and internationally. Harold is responsible for investment decisions and value add opportunities.
Ben Finger Principal and Group Managing Director	Ben holds over 15 years' experience in the Australian property market where he has been involved in development and site acquisitions. His role involves site identification, finance, strategy and management.
Graham Fox Responsible Manager	Graham brings over 25 years of experience in Financial services where he specialised in Wholesale and Retail Funds Management. He has run his own asset consulting business, FOX Asset Management and served as the principal consultant and CEO of FOX Wealth Management which was established a few years after. Prior to his own businesses, Graham worked for other notable organisations such as Challenger, Westpac Private Bank, Deutsche Funds Management, Banque Nationale de Paris and Standard & Poor's Australia.
John Schaffer	John brings vast knowledge to the team having worked as an asset consultant throughout his career. Prior to joining Haben in 2014 he started Catallyst Advisors in 2008. He also co-founded institutional asset consultants Intech which was later acquired by the Morningstar Group.

Source: Haben

Compliance and Governance

The RE has a Compliance Plan which has been lodged with ASIC, as required by the Corporations Act. The Compliance Plan outlines the policies and procedures for the RE to administer the Trust's assets, engagement of external service providers, valuation practices, borrowings and reporting to unitholders.

Past Performance

Haben Property has provided a summary of returns of the previous funds managed, which is summarised in the table below. Haben have closed three property funds which have returned an IRR range of 19.0% - 29.0%, in addition to a debt fund which delivered 10.0% p.a.

Investors should note that that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

Figure 20: Performance of previous Haben Property Funds

Previous Haben Funds	Asset Type	Fund Life	Distribution Paid (P.A.)	IRR
HR1T - Illawong Village	Retail	2010 – 2017	7.8%	19.0%
HR3T - Woodcroft Village	Retail	2013 – 2017	9.5%	29.0%
HF1T - Allure-Ryde	Debt Fund	2016 – 2017	10.0%	Debt Fund
Doonside IGA	Retail	2016 – 2019[1]	8.5%	28.0%
HR2T - Station Plaza	Retail	2012 – Current	19.0%	Fund still open
HR4T - Seven Hills Plaza	Retail	2013 – Current	11.5%	Fund still open
HR5T - Croydon Central	Retail	2015 – Current	5.0%	Fund still open
HN6T - 19A Boundary Street	Office	2017 – Current	6.0%	Fund still open
HN7T - Wallsend Village	Retail	2018 – Current	7.5%	Fund still open

Note 1: Settlement date is May 2019. Source: Haben

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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