

Unlisted Property Trust Report

GDI No.46 Property Trust

November 2019

Portfolio of car dealerships in metropolitan Perth targeting
7.75%+ p.a. distributions

For Wholesale Investors only

GDI No.46 Property Trust

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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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GDI No.46 Property Trust

November 2019

The GDI No.46 Property Trust ("the Trust") is an unlisted property trust managed by GDI Investment Management Pty Limited ("the Manager") which is part of the GDI Property Group, an ASX listed property fund manager.

The Trust is seeking to raise \$75.7M through the issue of 75.7M units at \$1.00 per unit. The funds will be used in conjunction with debt to acquire a property portfolio leased to car dealerships across the Perth metropolitan region ("the Portfolio") for \$98.0M.

The portfolio consists of 17 properties leased to car dealerships in five Perth metropolitan suburbs with a total gross lettable area (GLA) of 95,779 sqm. The leases are with Buick Holdings and its subsidiaries, which is 67% owned by IDOM Inc a large Japanese automotive group and 33% owned by DVG Pty Ltd. Across the properties, the major car brands that are sold include Toyota, Hyundai, Nissan, Kia, Holden, Chrysler and Isuzu. IDOM acquired its interest in car dealerships in 2015 and has provided capital for the businesses to grow as well as acquiring additional car dealerships to support its growth in the automotive sector.

The property metrics provide for long-term tenancies with 100% occupancy, a Weighted Average Lease Expiry (WALE) of 11.0 years with annual rent increases of CPI+1% with rent reviews every five years (subject to a range of -5% to +10%). Leases are on a fully net basis, with the tenants responsible for all outgoings.

The Trust is structured with no specified end date, to enable the Manager the ability to sell the Properties when it believes the value of the Property has been maximised. In practice, GDI is an active manager and has managed unlisted property funds with an average fund term of around 7 years.

A debt facility is to be established for three years at an assumed average cost of debt of 3.6%. The initial Loan to Valuation Ratio (LVR) is 30.6% and an initial Interest Coverage Ratio (ICR) of 6.7x. The debt facility does not have any LVR or ICR covenants.

The Manager is forecasting the Trust to deliver a 7.75% p.a. annualised distribution yield in FY20, increasing to 8.00% in FY21.

Fees charged by the Fund are at the low end of what Core Property has seen in the market (see Fees in Perspective). Investors should note the fee structure increases if the Property undergoes development or project work and this may impact on future distributions. However, the inherent implication is that any development would improve the total net return for investors.

Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of between 7.9% - 10.6% based on the Manager's assumptions and assuming a +/- 50 bps movement in capitalisation rates over an assumed five-year term. Investors should note the calculations are based on the Manager's assumptions. The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions.

Investor Suitability

The Trust has been rated as Recommended.

Core Property considers the Trust will appeal to investors seeking an attractive distribution yield supported by a long-term lease over portfolio of well-located car dealerships in the Perth metropolitan area.

An investment in the Trust is available to wholesale investors only with a minimum investment of \$50,000, as defined in the Information Memorandum.

The Trust should be considered as part of a Core investment. The Trust is illiquid and investors should expect to remain invested until such a time as the Manager is able to maximize and sell the properties in the portfolio. As such, the Trust should be considered a medium to 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: 14 November 2019

Offer Close: 17 December 2019¹

Min. Investment: \$50,000, then \$10,000 increments

Unit Entry Price: \$1.00

Net Tangible Asset per unit: \$0.90

Liquidity: Illiquid

Forecast Distributions: FY20: 7.75 cpu (annualised)
FY21: 8.00 cpu

Distribution Frequency: Quarterly, in arrears

Initial Investment Period: Determined by the sale date of the Property and subsequent wind up of the Trust.

1. The Manager may close the Offer early if fully subscribed.

Fund Contact Details

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Fund - Website

www.gdi.com.au

Note: This report is based on the GDI No.46 Property Trust Information Memorandum dated 14 November 2019, together with other information provided by GDI.

Key Considerations

Management Experience: Since 1993, GDI have completed 24 property trusts which have delivered a weighted average pre-tax IRR in excess of 20% after fees.

Trust Term: The Trust does not have a specified end date however the Manager has indicated that it considers the Trust to be a medium to long term investment. The Manager's Trusts typically run for a period of around 7 years. The Trust will be wound up when all the properties are sold.

Strategy: The Manager intends to hold the properties in the portfolio over the medium to long term whilst looking for opportunities to maximise the value for investors. Core Property notes the properties are located in the metropolitan Perth region which may provide opportunities for alternate uses. Core Property also notes the Manager may consider selling the individual properties over various periods if it considers it to be in the best interests of investors.

Property Portfolio: The property portfolio consists of 17 car dealerships and services centres located in the metropolitan Perth suburbs of Melville, Maddington, Morley, Wanneroo and Midland. The portfolio has a total gross lettable area (GLA) of 95,779 sqm and is being acquired for an average \$1,023 per sqm. The price paid is considered to be in line with recent market evidence.

The property metrics are robust for a long duration investment: 1) 100% occupancy, 2) a WALE of 11.0 years, 3) annual rental increases of CPI + 1% (using the CPI for Perth) with rent reviews every 5 years with a cap of +10% and collar of -5%.

Three of the properties in the portfolio have residual petrol located under the properties, which the vendor has agreed to remediate as part of the acquisition by the Fund.

Tenant: The properties are fully leased to Buick Holdings and its subsidiaries with 11 years remaining under a 12-year lease term with 5x5 year options. Buick forms part of the DVG Group, one of the largest new car and multiple used car dealership networks in Perth with a market share of over 10%. DVG is 67% owned by IDOM (TKO: 7599), a listed Japanese automotive group which has provided financial support for the business to grow in Australia.

Debt Profile: The Trust will establish a three-year debt facility for \$30.0M which will be used to assist in the acquisition of the Property. The Loan to Valuation Ratio (LVR) is expected to be 30.6% with an initial Interest Coverage Ratio (ICR) of 6.7x. The debt facility does not have any LVR or ICR covenants. The Manager will need to extend or replace the debt after three years.

Initial NTA: Core Property calculates the initial NTA of the Trust to be \$0.90 per unit.

Distributions: The Manager is forecasting distributions of 7.75 cents per unit (annualised) in FY20, increasing to 8.00 cpu in FY21.

Fee Structure: Core Property considers the Trust's fees to be appropriate compared to what we have seen in the market. The Fees are at the low end of the market if the Property remains "non-active" (ie a passive property with rental income) and increase to the high end of the market if the Property becomes "active" (ie a when the property undergoes refurbishment or redevelopment).

Total Return: Core Property estimates the Trust to deliver an Internal Rate of Return (IRR) of 7.9% - 10.6% (midpoint 9.2%) assuming a five-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).

Liquidity: Investors must accept that by their very nature, unlisted property trusts are illiquid. The Manager does not provide any withdrawal facility and investors should be willing to remain fully invested until the Property is sold and the Trust is wound up. GDI has indicated it considers the Trust to be a medium to long term investment.

Investment Scorecard

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

Key Metrics

Fund Structure		Fees Paid	
An unlisted property Trust investing in a portfolio of car dealerships and service centres across the metropolitan area of Perth, Western Australia.		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).	
Management		Entry Fees:	Nil
Well regarded Australian fund manager with demonstrable experience in property and finance. Greater representation of non-executive directors leads to a balance of decision making.		Exit Fees:	Nil
Property Portfolio		Acquisition Fee:	2.0% of purchase price.
No. of Properties:	17	Sale Fee (Disposal Fee):	2.0% of sale price.
Acquisition Price:	\$98M	Management Fees:	<ul style="list-style-type: none"> - Ongoing Management Fees: 0.65% p.a. of the GAV (non-active asset), 1.00% p.a. of the GAV (active asset) - Debt Arrangement Fee: 0.40% (excl GST) of the amount of debt arrange by the Trustee - Leasing Fee: Up to 15% of the first year's rent on new leases - Project Management Fee: Up to 5% (excl GST) of any project costs if managed in house
Property Locations:	Metropolitan Perth, WA		
Property Sector:	Retail		
Key Tenant:	Buick Holdings and its subsidiaries		
Occupancy:	100%		
WALE:	11 years	Performance Fee:	20% of the outperformance of the Trust over an equity IRR of 10.0% (pre-tax, net of fees).
Return Profile		Debt Metrics	
Forecast Distribution:	FY20: 7.75 cents per unit (annualised) FY21: 8.00 cents per unit	Initial Debt / Facility Limit:	\$30.0M / \$30.45M
Distribution Frequency:	Quarterly, in arrears	Loan Period:	3 Years to December 2022
Tax advantage:	Distributions are expected to be tax deferred ¹	Initial LVR / Peak LVR / LVR Covenant:	30.6% / 31.1% / None
Estimated Levered IRR (pre-tax, net of fees):	7.9% - 10.6% (midpoint 9.2%)	ICR / Low ICR / ICR Covenant:	6.7x / 6.7x / None
Investment Period:	Determined by the sale date of the Properties and subsequent wind up of the Trust.	Legal	
Note 1: Actual tax deferred component to be advised by the Manager.		Offer Document:	GDI No.46 Property Trust Information Memorandum, 14 November 2019
Risk Profile		Wrapper:	Unlisted Unit Trust
Property/Market Risk:	Capital at risk will depend on a portfolio of property assets leased as car dealerships, located in the metropolitan area of Perth, Western Australia.	Trustee:	GDI No.46 Pty Limited (ACN 636 574 206)
Interest Rate Movements:	Any change in the cost of borrowings may impact the distributable income of the Trust's underlying investments.	Investment Manager:	GDI Funds Management Limited (ACN 107 354 003, AFSL 253 142)
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand. The properties are concentrated in the car dealership sector.		
For a more detailed list of the key risks, refer to Section 9, "About risk and return" of the Information Memorandum.			

Trust Overview

The Trust is an unlisted property fund that provides investors with an attractive distribution yield with the potential for capital gains through the investment in a portfolio of car dealerships and service centres in the Perth metropolitan area.

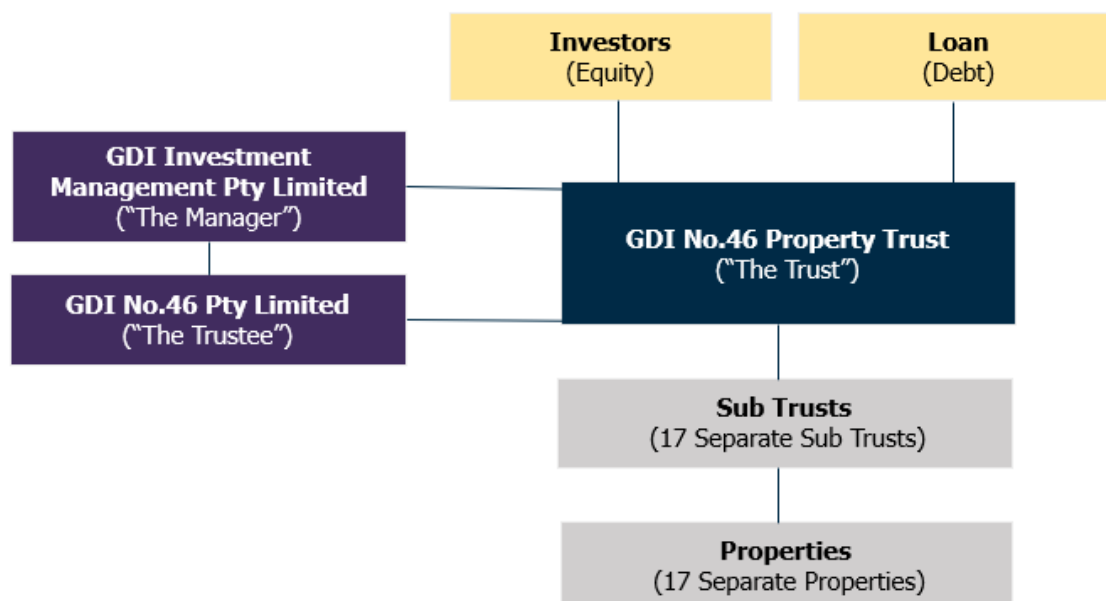
The Investment Manager, GDI Investment Management Pty Limited and the Trustee, GDI No.46 Pty Limited are wholly owned subsidiaries of GDI Property Group Limited (ASX: GDI), an ASX listed property fund manager with a market capitalisation of A\$840M (as at 8 November 2019).

The Trust is seeking to raise \$75.7M through the issue of 75.7M units at \$1.00 per unit to wholesale investors ("the Offer"). The minimum investment is \$50,000, increasing in multiples of \$10,000 thereafter. The amount raised will be used, in conjunction with debt, to acquire 17 separate assets located in high profile destinations across the Perth metropolitan area ("the Property Portfolio") for \$98.0M. Each asset will be held in a separate Sub Trust which will be wholly owned by the Trust.

The Property Portfolio consists of 17 separate car dealerships and service centres with a total land area of 95,779 sqm. The properties are situated across 5 suburbs in metropolitan Perth, with many of the car dealerships located next to each other on neighbouring blocks. The properties are all fully leased to Buick Holdings or its subsidiaries, which operate car dealerships at the locations selling various car brands including Toyota, Hyundai, Nissan, Kia and Isuzu. The current leases have 11 years remaining on their 12-year lease term, with 5x5 year options to renew. The leases are net leases with annual rental increases of CPI + 1% (based on Perth area CPI) with a market rent review every 5 years (with a 10% cap and a 5% collar). The next market rent review is in December 2023.

The Trust is forecasting a distribution yield of 7.75% (annualised) in FY20, increasing to 8.00% in FY21. Distributions are paid to investors on a quarterly basis, in arrears. The Trust does not offer a withdrawal facility however investors will be able to transfer their holdings. The Trust should be considered as illiquid and investors should be prepared to remain invested until the Trust is wound up, based on when the Manager considers the value of the Properties are maximised and the properties are sold.

Figure 1: Trust structure



Source: Core Property, GDI

Investment strategy

The Trust aims to provide a strong distribution yield for investors, commencing at 7.75% p.a. (annualised) and increasing to 8.0% in FY21 with the potential for future income and capital growth.

Core Property considers the Trust to represent a Core investment proposition where the assets are held over a period of time while the Manager may consider any opportunities to maximise the value of the assets through a sale. Core Property also notes the portfolio is being acquired on an average price of \$1,023 per sqm and the properties may provide alternate use and/or development possibilities in the long term if any of the tenants were to vacate.

Liquidity / exit strategy

The Trust will commence in January 2020. The Trust is structured with no end date, which enables the Manager to sell the properties in the Portfolio when it considers it to be in the best interest of investors and taking into account when it considers the value of the properties have been maximised. The Manager, GDI, has advised that its unlisted trusts typically have a seven-year term, however the actual term will be determined when all the properties in the Portfolio have been realised. The Manager does not a withdrawal facility however investors will be able to transfer their unitholding. Investors should view the Trust as illiquid in nature and consider an investment as part of a Core investment strategy.

Sources & Application of funds

The IM sets out the sources and application of funds for the initial \$75.7M raised 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	\$75.7M	77.2%	71.6%
Debt facility	\$30.0M	30.6%	28.4%
Total sources of funds	\$105.7M	107.9%	100.0%
Application of funds			
Purchase price of property	\$98.0M	100.0%	92.7%
Costs (Acquisition Costs, Fees)	\$5.7M	5.9%	5.4%
Managers Fee	\$2.0M	2.0%	1.9%
Working Capital & Capital Expenditure Reserves	-	-	-
Total application of funds	\$105.7M	107.9%	100.0%

Source: Core Property

Debt Facility & Metrics

The Trust has indicative terms for a \$30.45M debt facility for three years from a high profile lender with a long association with both the actual sites and the automotive industry. The assumed average interest rate is 3.60% p.a.

The initial draw down of \$30.0M equates to an initial Loan to Valuation Ratio (LVR) of 30.6%. The debt facility does not have an LVR covenant however Core Property estimates that the value of the Property must fall by 49% for the LVR to reach a 60% level. The Interest Coverage Ratio (ICR) is 6.7x. The loan does not have an ICR covenant however Core Property estimates the net operating income must fall by 70.6% for the ICR to reach a 2.0x level. Investors should be aware that any change in the cost of debt may impact investor returns. The debt metrics of the Trust are set out in the following table:

Figure 3: Debt Metrics

Details	Metric
Bank / Financier	To be advised
Security	First ranked mortgage secured against the assets in the Property Portfolio.
Debt Facility Limit/ drawn debt	\$30.45M / \$30.0M
Loan Period	3 years expiring December 2022
% Hedged / Fixed	0%
Average cost of debt	3.60%
Initial LVR / Peak LVR / LVR Covenant	30.6% / 31.1% / None
Initial interest covered ratio (ICR) / (Lowest ICR) / ICR covenant	6.7x / 6.7x / None
Amount by which valuation will have to fall to reach a 60% LVR	49.0%
Decrease in rent income to reach an ICR of 2.0x	70.6%

Source: Core Property, GDI

Fees Charged by the Trust

The Trust charges a Management Fee as follows:

- 0.65% p.a. (excl GST) of the Trust's Gross Asset Value (GAV) at commencement and while the asset is deemed to be "non-active". Non-active assets are generally passive investments that are fully leased, where refurbishments have been completed.
- 1.0% p.a. (excl GST) of the GAV when the asset becomes "active". Active assets are those where the Trustee is actively involved in asset management to reposition the asset, including but not limited to such activities as lease negotiations and renewals, re-imaging and refurbishment, strata sub-division and sell down.

Overall, Core Property considers the fees charged to be appropriate and in line with what has been seen in the market (0.7% – 1.1%).

Core Property notes the Manager is entitled to a Project Management Fee of up to 5% of any project costs if managed in house. Investors should be aware that distributions may be impacted if the Trust is charged a Project Management Fee and/or "active" Management Fee. The components of fees and cost recovery charged to investors over the term of the Trust are summarised in the table below.

The Manager is entitled to a Performance Fee of 20% of any outperformance above an IRR of 10% p.a. The Performance Fee is payable at the total Fund level at the end of the term when all the properties are sold, or if the Fund is terminated earlier or the Manager is replaced before the initial term.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry/Establishment Fee	Nil	
Exit Fee	Nil	
Leasing Fee	Up to 15.0% of the first years rent on any new leases.	The Fee is only payable if the Trustee is wholly or partly responsible for a party entering a new lease. The Manager has advised the Fee is only payable when an external leasing agent is used and that it does not intend to apply the Fee to the Trust.
Property Acquisition Fee	2.0% (excl GST) of the purchase price of the property.	The Acquisition Fee is at the high end of the industry average of 1.5% - 2.0%.
Property Disposal Fee	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%
Debt Arrangement Fee	0.40% (excl GST) of the amount of any debt arranged by the Trustee	
Project Management Fee	Up to 5.0% (excl GST) of the project costs, if managed in house.	The Fee is not charged if the work is undertaken by a third party, however in such a case the expenses would be higher for the Trust.
Ongoing Management Fees - Management Fee, Administration Costs & Expenses, Other Indirect Costs	<ul style="list-style-type: none"> • 0.65% p.a. of gross asset value (GAV) for properties classified as "non-active", increasing to 1.00% p.a. of gross asset value (GAV) when properties become "active". • 0.05% p.a. of GAV (est.) for Trust Expenses, Administration Costs etc. 	We consider the Fees to be within the range of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV). The Fees are at the low end of the range when the Property is "non-active", increasing to the high end of the range when the Property is "active".
Removal of Trustee	The sum of 1) any fees payable and not yet paid as at the date of termination, plus 2) the net present value of future management fees from the date of removal to the seventh anniversary of the Trust.	Fee is not payable where the Trustee has been removed as a result of a breach of duties.
Performance Fee	20% (excluding GST) of the Trust's performance above a per annum IRR of 10% after fees and costs.	Fee is in line with industry expectations and considered appropriate.

Source: GDI, 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 five-year Trust term to December 2024.
- A Performance Fee has not been included;

Overall, Core Property estimates that the Manager takes 5.0% of the total cash generated by the Trust, which leaves investors with \$1.48 per unit, or approximately 95% of the total. Core Property believes the fees paid to the Manager are appropriate compared to similar products, which are typically around 7% - 9%. 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 4: 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:	\$1.000
Income and capital gains to investors:	\$0.481
Total cash to investors:	\$1.481
Acquisition fee:	\$0.026
Base management fee:	\$0.038
Disposal fee:	\$0.014
Fees for the Manager (excluding disposal/admin):	\$0.078
Total cash generated by Fund:	\$1.559
Fees = % of total cash generated (before fees)	5.0%
Up-front fee vs total fees	14.0%

Source: Core Property estimates

The Property Portfolio

The portfolio consists of 17 car yards located on major arterial roads within the metropolitan area of Perth, with sites in Melville, Maddington, Morley, Wanneroo and Midland. The individual properties represent long WALE assets in excess of 11 years, and are occupied by the likes of Toyota, Holden, Kia, VW and Nissan. The metropolitan regions are generally located between 10-21 kms from the Perth CBD, with leases on a net rental basis.

- **166, 168 and 170 Leach Highway, Melville WA** – consists of 3 locations with 11,122 sqm of land area with car dealerships for Chrysler/Fiat, VW and Hyundai.
- **5, 7 and 15 Thurso Road, Melville WA** – consists of 3 locations across 9,131sqm of land area. The properties at 7 and 15 Thurso Road are expected to be amalgamated prior to the settlement. The site is used as a Service Department, with a Hardstand area.
- **1900-1906 and 1910-1914 Albany Highway, Maddington WA** – consists of 2 locations across 14,315sqm of land area with car dealerships for Hyundai/Isuzu and Toyota.
- **100, 101 and 104 Broun Ave, Morley WA** – consists of 3 locations with 17,869 sqm of land area, supporting car dealerships for Kia, Nissan and Hyundai. The properties and 100 and 104 Broun Ave are expected to be amalgamated prior to settlement.
- **6 and 10 Lancaster Rd, Wanneroo WA** – consists of 2 locations across 12,055sqm of land area, with car dealerships for Mitsubishi and Isuzu.
- **161, 163-169, 171, 188, 192 and 204 Great Eastern Highway, Midland WA** – consists of 6 locations spanning a total of 31,287sqm of land area with car dealerships for Holden/Suzuki, Toyota, Chrysler, Isuzu, Nissan and Hyundai/Kia.

Three of the properties were previously petrol stations and contain residual petrol on the sites. The vendor has agreed to covering the costs of remediating these sites as part of the acquisition by the Fund.

Figure 6: Property Portfolio

	Address	Operator	Land Area	Valuation \$M	Passing Yield
1	166 Leach Highway, Melville	Chrysler/Fiat	3,640	3.70	7.6%
	168 Leach Highway, Melville	VW	3,726	6.15	7.7%
	170 Leach Highway, Melville	Hyundai	3,756	4.91	7.5%
2	15 Thurso Road, Melville		1,012	0.71	6.5%
	7 Thurso Road, Melville	Service Dept	3,904	4.65	8.0%
	5 Thurso Road, Melville	Hardstand	4,215	3.46	6.5%
3	1900-1906 Albany Hwy, Maddington	Hyundai/Isuzu	5,629	6.55	7.5%
	1910-1914 Albany Hwy, Maddington	Toyota	8,686	9.50	7.8%
4	100 Broun Ave, Morley	Kia	2,856	2.45	8.2%
	104 Broun Ave, Morley	Nissan	2,926	2.85	8.0%
5	101 Broun Avenue, Morley	Hyundai	12,087	11.45	7.7%
	6 Lancaster Road, Wanneroo	Mitsubishi	9,128	9.70	8.1%
6	10 Lancaster Road, Wanneroo	Isuzu	2,927	3.80	8.9%
	171 Great Eastern Hwy, Midland	Chrysler	1,214	1.05	9.6%
7	163-169 Great Eastern Hwy, Midland	Toyota	4,778	5.85	8.5%
	161 Great Eastern Hwy, Midland	Holden/Suzuki	11,685	8.80	8.3%
	204 Great Eastern Hwy, Midland	Hyundai/ Kia	8,474	7.65	8.7%
8	192 Great Eastern Hwy, Midland	Nissan	3,617	3.45	8.7%
	188 Great Eastern Hwy, Midland	Isuzu	1,519	1.32	9.5%
	Total Portfolio		95,779	98.00	8.0%

Source: JLL, GDI, Core Property, Google images

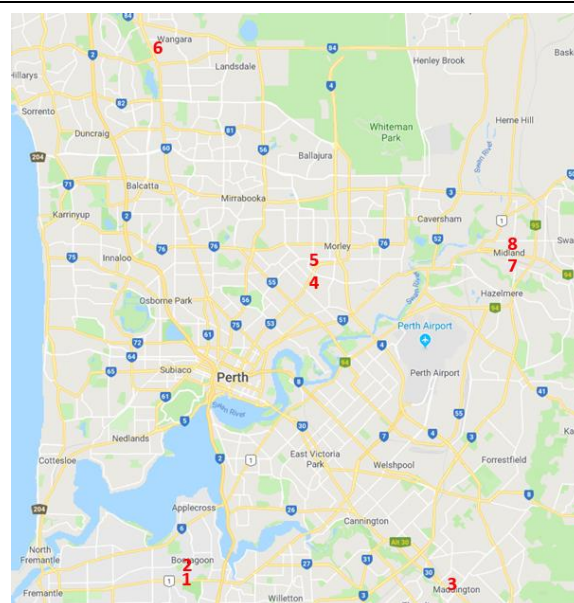


Figure 7: 168 Leach Highway, Melville WA



Figure 9: Midland – Kia dealership



Figure 8: 6 and 10 Lancaster Road, Wanneroo



Figure 10: Midland assets



Source: GDI, JLL

Leases, tenants and income

Each of the properties has a separate lease in place with either Buick Holdings or its wholly owned subsidiaries. Buick Holdings is 67% owned by IDOM Automotive Group and 33% owned by DVG Group.

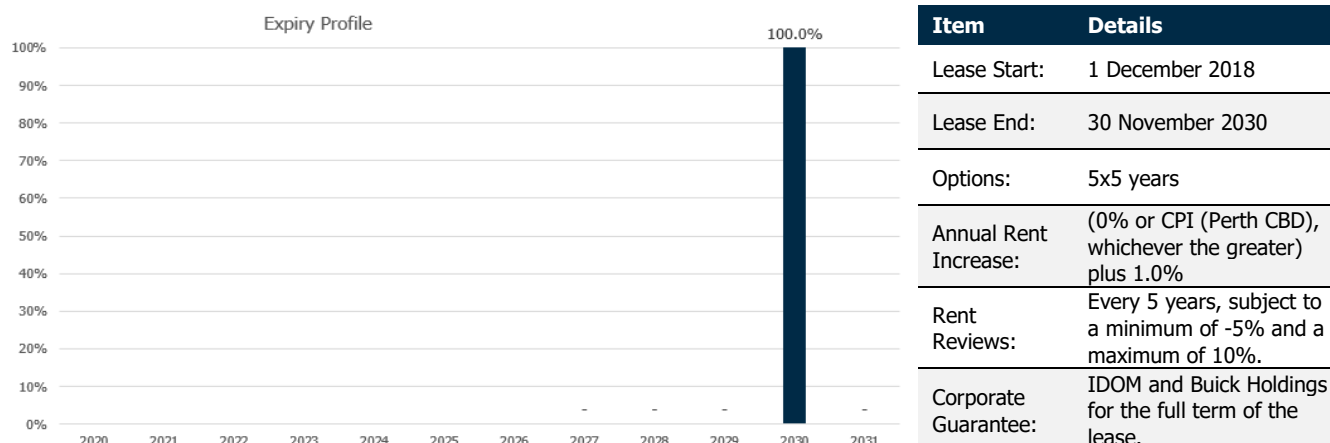
IDOM Automotive Group (TKO: 7599) is a Tokyo listed automotive group with a market capitalisation of around 51 billion yen (approx. AUD\$0.7M). IDOM is the largest used vehicle retail seller in Japan and has expanded its operations into the USA, Australia, New Zealand, Thailand as well as the South African and Chinese markets. In September 2015 IDOM purchased a 67% stake in the DVG Group, which includes Buick Holdings and its subsidiaries.

DVG Automotive Group was founded in 1996 by the DiVirgilio family with the purchase of a small used car yard in Maddington, Perth. The business has since grown to become one of Perth's largest new car and multiple used car dealership networks with a market share of over 10%.

All 17 properties in the portfolio have individual lease contracts for 12 years from 1 December 2018 until 30 November 2030, with 5x5 year options. Leases are subject to annual rental increases of 1% plus the greater of 0% or the CPI (Perth CBD). Market reviews occur every five years, with a minimum of -5% and a maximum of +10%.

The leases are also covered by corporate guarantees from IDOM and Buick for the full term of the lease.

Figure 11: Portfolio lease expiry



Source: GDI, Core Property

Property Valuations

An independent valuation was completed in September 2019 by Jones Lang LaSalle Advisory Services Pty Limited (JLL), a well-regarded real estate advisory service, with a portfolio valuation of \$98.0M, in line with the acquisition price. The independent valuation makes several assumptions regarding market rent, tenant incentives, re-letting and other factors based on available market evidence. The main assumptions below have been adopted in the valuation model. The Trust has a valuation policy to undertake an independent valuation at least once every three years.

Figure 12: Portfolio summary – as at September 2019

Property Portfolio	
Title	Freehold
Acquisition Date:	December 2019
Ownership	100%
Site Area	95,779 sqm
Net Lettable Area	25,205 sqm
Major Tenant	Hyundai (inc. Hyundai/Isuzu, Hyundai/Kia) Toyota (49.4% of NLA)
Weighted Average Lease Expiry	11.25 years
Occupancy	100%
Initial Net Passing Income¹	\$7.8M p.a.
Net Market Income (fully leased)	\$7.2M p.a.
Purchase Price	\$98.0M
Valuation	\$98.0M
Initial Passing Yield²	8.01%
Capitalisation Rate³	7.69%
Valuer	JLL
Valuer's Discount Rate³	8.32%
Value/sqm⁴	\$1,023 per sqm
Valuer's unleveraged 10-year IRR³	8.22%

Note 1: Initial net passing income is based on Net Rent at 1 Dec 19 (\$pa) and is a weighted average. Note 2: Initial Passing yield is based on net rent at 1 December and adopted value. Note 3: Weighted average numbers based on adopted value. Note 4: Average value. Source: JLL, Core Property

Market Sales Evidence

The table below shows the comparable sales transactions for other motor vehicle dealership sales in WA, as provided by the independent valuer JLL. Core Property notes the portfolio is being acquired for an average \$1,023 per sqm. The price per sqm appears appropriate and is about 2.9% above the average price of \$994 per sqm which was over 4 transactions in 2016/2017.

Figure 13: Recent transaction evidence

Property	Site Area (sqm)	Sale Date	Sale Price	Initial Yield	Price per sqm (Land area)
Duncan Nissan – 495 Albany Highway, Victoria Park WA	5,828	Jan-17	\$6.4M	10.31%	\$1,098
Big Rock Toyota – 445 Wanneroo Road, Balcatta WA	14,818	May-16	\$9.7M	7.82%	\$655
Holden Clarkson – 36 Pensacola Terrace, Clarkson WA	8,454	Feb-17	\$6.4M	Vacant	\$751
Barbagallo Skoda Mandurah – 140 Pinjarra Road, Mandurah WA	4,003	May-17	\$5.9M	Vacant	\$1,474
Average					\$994
DVG Portfolio	95,779	Sep-19	\$98.0M	7.95%	\$1,023

Note 1: Weighted Average equated market yield. Source: JLL

Market Rental Evidence

Core Property notes the portfolio is being rented at an average \$82 per sqm on the total land site, which is slightly above the average of \$79 per sqm from four comparable lease deals in 2015-2018 as provided by the independent valuer in the table below.

Figure 14: Rental Evidence

Property	Land Area (sqm)	Building Area (sqm)	Land Rent per sqm	Building Rent per sqm	Lease Start / Initial Term
Porsche Centre Perth - 101 Stirling Highway, Nedlands	4,027	4,340	\$129	\$120	Mar-17 / 5 years
Allpike Peugeot/Citroen - 274 Scarborough Beach Road, Osborne Park	4,780	1,699	\$75	\$212	Jul-17 / 5 years
Big Rock Toyota - 441-445 Wanneroo Road, Balcatta	14,818	3,475	\$51	\$219	Jul-15 / 15 years
Rockingham Jeep, Chrysler - 8 Beale Way, Rockingham	5,600	3,383	\$62	\$102	Jan-18 / 5 years
Total	29,225	12,897	\$79 average	\$163 average	
DVG Portfolio	95,779	23,669	\$82	\$331	Dec-18 / 11 years

Source: JLL

Capex

The Properties are leased on a net rental income basis with all outgoings to be paid for by the tenants. Nevertheless the Manager has budgeted \$0.45M in capex over the initial three years. The capex is funded through debt and Core Property estimates the LVR to increase marginally to 31.1% (from 30.6% at inception). Any additional capex beyond this amount is likely to be incorporated as part a new lease contract.

The inherent assumption here is that the capital expenditure is likely to improve the value of the building. While this has been the case in recent years, Core Property reminds investors that this may not be the case in adverse market conditions. Similarly, if the capex is utilised for a potential development application, there are risks that any amount spent may not be immediately realised in the market value of the Property.

Financial Analysis

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

- Forecast distributions of 7.75 cpu (annualised) in FY20 and 8.00 cpu p.a. in FY21.
- Assumes the properties remain on current lease terms.
- Forecasts do not take into account any possible redevelopments or renegotiation of leases.

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

Figure 15: Profit & Loss Forecast and Pro Forma Balance Sheet

Profit & Loss - Forecast \$M	FY20 (17 Jan 20 – 30 Jun 20)	FY21
Net Property Income	3.6	7.9
Expenses	-0.0	-0.0
Fees	-0.3	-0.6
Earnings Before Interest & Tax	3.3	7.3
Net Interest Expense	-0.5	-1.1
Net Profit	2.8	6.2
Cash distribution - \$M	2.7	6.1
Cash distribution per unit (cents)	3.52 (7.75 annualised)	8.00
Annualised distribution yield	7.75%	8.00%

Balance Sheet – Forecast \$M	At Commencement \$M
Assets	
Investment Property	98.0
Acquisition Costs	7.4
Total Assets	105.4
Liabilities	
Borrowings	30.0
Other Liabilities – Debt Establishment Costs	-0.1
Total Liabilities	29.9
Net Assets	75.6
NTA per Unit	\$0.90
LVR	30.6%

Source: GDI, 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 Initial NTA at \$0.90 per unit with most of the dilution coming from acquisition costs.

Figure 16: Initial NTA

Amount per unit	\$ per unit
Issue Price	\$1.000
Less:	
Acquisition Costs	-\$0.067
Managers Fee	-\$0.026
Debt & Fund Establishment costs	-\$0.009
Working Capital and Capitalised costs	-
Initial NTA per unit	\$0.898

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 calculated the expected returns from the Trust over a nominal five-year period. Investors should be aware that this is an assumption only and the actual term of the Trust will be dependent on when all the properties are sold.

The table below summarises our expected IRRs.

Based on an assessment of the Manager's forecasts, Core Property expects the Trust to deliver a 5-year Internal Rate of Return (IRR) in the range of 7.9% - 10.6% (midpoint 9.2%). The calculation is based on the Manager's forecasts and assumes a +/- 50bps movement in the terminal capitalisation rate and interest rates fixed (the debt is fully hedged for the duration of the Fund).

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.

Figure 17: Pre-tax, 5-year IRR (after fees) sensitivity analysis – Manager's assumptions

Terminal cap rate	Cost of debt				
	2.6%	3.1%	3.6%	4.1%	4.6%
7.50%	10.7%	10.6%	10.4%	10.3%	10.1%
7.75%	10.1%	10.0%	9.8%	9.7%	9.5%
8.00% (base)	9.5%	9.4%	9.2%	9.0%	8.9%
8.25%	8.9%	8.8%	8.6%	8.5%	8.3%
8.50%	8.4%	8.2%	8.0%	7.9%	7.6%

Source: Core Property

Management & Corporate Governance

The Trustee is a wholly-owned subsidiary of GDI Property Group (ASX: GDI), a listed property business that has managed 44 projects valued at over \$2.3B over the past 24 years. GDI's board of directors and senior management team have demonstrable experience in finance and real estate. The table below provides more detail on GDI's directors and senior management.

Figure 18: The Board of the Trustee & Key Executives

Name & Role	Experience
Gina Anderson Non-Executive Chairman	Ms Anderson is a senior professional with diverse experience, including 12 years as a director in both non-executive and executive capacities. Ms Anderson is currently an Advisory Board Member of the Australian Charities and Not-For-Profits Commission, Chair of Women's Community Shelters Limited and a Director of The George Institute for Global Health.
Steve Gillard Managing Director	Mr Gillard has over 34 years' experience in property related industries and is a Fellow of the Australian Property Institute. Mr Gillard spent over 11 years at major agency firms including Colliers as well as DTZ. He has worked as a senior analyst at international stockbroking firms, specializing in property and tourism, as well as working in an advisory capacity for acquisitions and sales. Since Mr Gillard joined GDI in 2005, assets under management has grown from \$70M to over \$1.0B.
John Tuxworth Independent Non-Executive Director	Mr Tuxworth has nearly 40 years' experience in senior executive and non-executive roles in financial services and management consulting businesses, including over nine years with Rothschild Australia Asset Management as an Executive Director and most recently as a founder and the Managing Director of PeopleFirst & Associates, a management consulting business.
Giles Woodgate Independent Non-Executive Director	Mr Woodgate has 35 years' experience as a chartered accountant, working for KPMG, Deloitte and Horwath & Horwath. He has extensive experience in audit, compliance and turnaround and insolvency both locally and internationally. Mr Woodgate has been a senior partner of Woodgate & Co since its inception in 1989.
Stephen Burns Independent Non-Executive Director	Mr Burns is currently a Managing Director at Stanton Road Partners and was previously head of real estate investment banking at Credit Suisse, Australia, a role he held for nine years after holding a similar position at Deutsche Bank, Australia. Mr Burns possesses vast experience as a Real Estate specialist advisor and expertise in capital markets, mergers, acquisitions and other corporate transactions. Mr Burns has expert skills and deep relationships demonstrated by his success over multiple cycles during 30-plus years.

Key Executives and Management

Name & Role	Experience
Steve Gillard Managing Director	Mr Gillard has over 30 years' experience in property related industries and is a Fellow of the Australian Property Institute. Mr Gillard spent over 11 years at major agency firms including Colliers as well as DTZ. He has worked as a senior analyst at international stockbroking firms, specializing in property and tourism, as well as working in an advisory capacity for acquisitions and sales. Since Mr Gillard joined GDI in 2005, assets under management has grown from \$70M to over \$1.0B.
Greg Marr Head of Unlisted Trusts	With 30 years' experience in the property industry, Mr Marr has held senior management roles at Dexu and The GPT Group. Mr Marr was most recently Managing Director and Head of Capital Markets for DTZ, a global corporate real estate services provider.
David Williams CFO / Joint Co. Secretary	Mr Williams has over 25 years' experience in accounting, banking and real estate funds management and was most recently Director, Corporate Finance at Patersons Securities Limited and previously Director, Investment Banking at Bank of America Merrill Lynch. Mr Williams holds a Bachelor of Laws, Bachelor of Commerce degree and is a Member of the Institute of Chartered Accountants.
John Garland Head of Property	Mr Garland has over 26 years' experience in the property industry and has held senior management roles in leasing with large commercial real estate firms. Prior to joining GDU Group in 2008 Mr Garland spent 11 years as general manager of a private property investment company focusing on commercial and industrial property investments.
Paul Malek Asset Management	With over 25 years' experience in the financial services industry, Mr Malek has gained specialized knowledge in funding commercial real estate with private and institutional clients. Mr Malek also has extensive experience in asset management and is responsible for managing the Mill Green Complex as well as Westralia Square and 1 Adelaide Terrace in Perth.

Source: GDI

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 policies of its ultimate parent, GDI Property Group (ASX: GDI).

As a listed entity, GDI Property Group has 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 RE 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, four of which are independent.

Past Performance

Since 1993, GDI's 24 completed Trusts have produced a weighted average IRR of more than 20% after 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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