

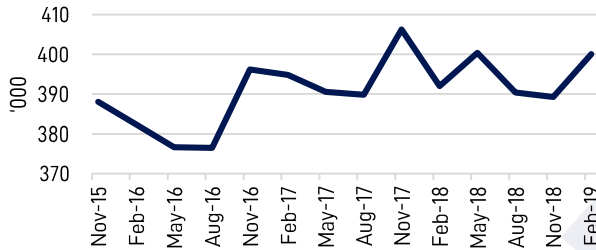
### The Perth Office Market; Increasing Signs of Recovery

Perth's office values have been declining since 2012, with recent data showing that CBD office vacancies reached a high of almost 25.0% in January 2017 before declining to 18.5% in January 2019. We believe the outlook for the Perth office market is positive due to:

- **Stabilising Macroeconomy:** Improving GDP growth forecasts at circa 2.0% per annum coupled with increasing white collar and mining employment, and substantial new mining investments of more than \$10b;
- **Improving Office Market Indicators:** Eight consecutive quarters of positive net absorption, with Perth CBD office vacancy falling to 18.5% as of January 2019 which is the lowest level since July 2015;
- **Limited New Supply Until 2023:** Office developments are currently struggling for feasibility given the high construction costs and current economic rent, with next major supply addition expected in 2023;
- **Substantial Yield Gap and Acquisition Opportunities at Below Replacement Cost:** Perth office property's yields are trading at a substantial premium to Sydney and Melbourne, with potential for acquisitions at significant discount to estimated replacement value; and
- **Record FY2018 Transaction Value and Increasing Foreign Investor Interest:** Record transaction value in FY2018, which is the highest in five years and since the "mining boom" of 2006/7, driven by increasing foreign capital inflow into the Perth CBD office market, with notable foreign institutions such as GIC acquiring approximately \$500m of CBD office assets in Perth over FY2017/18.

### Stabilising Macroeconomy Driven by Increasing White Collar Employment and Mining Investments

White Collar Employment (Quarterly)



Source: ABS / Savills

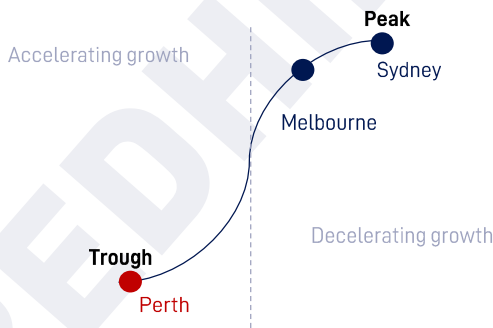
Increasing white collar employment driving demand for Perth CBL offices, with increasing professional job advertiser since December 2016.

Company – Project	Value	Jobs	Completion
BHP Billiton – South Flank	\$4.7b	2,500	2020
Rio Tinto – Koodaideri	\$3.5b	1,600	2021
Fortescue – Eliwana	\$1.7b	1,900	2020
<b>Total Value</b>	<b>\$9.9b</b>		

Source: The West Australia / ABS

Approximately \$10b of major iron ore mining projects announced in 2018. The investment value is substantial relative to historical average of approximately \$2b per annum.

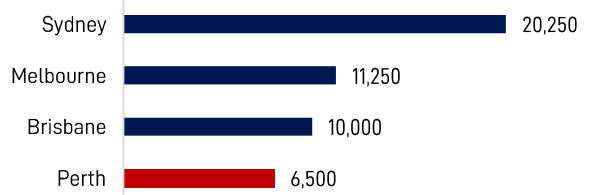
### Capital Value Increases expected based on Market Cycles



Source: CBRE

We believe Perth's office market have passed its trough, and with recent office market indicators showing increasing leasing demand, decreasing vacancy and leasing incentives.

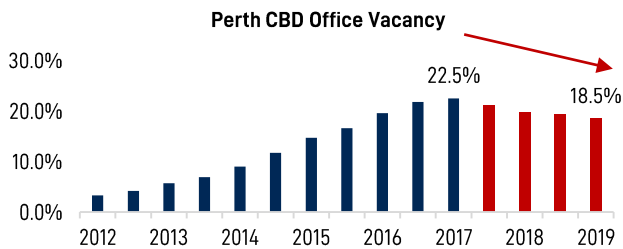
Est. Capital Value psm for Grade A Offices



Source: Savills

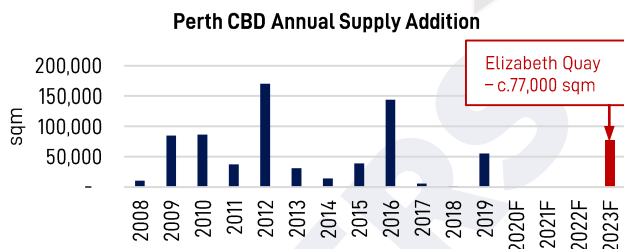
Perth's A grade offices have capital value are substantially lower than that of other Australian core cities, with opportunities for acquisitions at below replacement cost. Capital values are forecast to increase as increasing investor interest drives additional yield compression.

**Eight Quarters of Declining Vacancy and Positive Net Absorption; Limited New Supply Until 2023**



Source: Property Council Australia

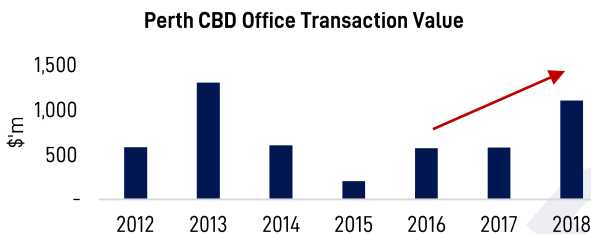
Perth's CBD office vacancy has been declining since peaking at 22.5% in 2017, and reached a low of 18.5% as of Jan 2019. Most major agencies forecast vacancy to continue declining to circa 14.0% by 2021.



Source: Property Council Australia

Net absorption has been positive since Jul 2017, and is expected to continue being positive due to limited new supply until 2023. New supplies are refurbished properties while any new developments are mostly fully pre-leased.

**Increasing Transaction Value and Foreign Investor Interest; Record Perth CBD Transaction Value in 2018**



Source: Knight Frank

Record transaction value in 2018, which is the highest in five years and since the 'mining boom' in 2016. We expect increasing investor interest in the Perth CBD office market given the lower downside risks as compared to Sydney and Melbourne.

**Recent Perth CBD Office Transactions**

Property	Grade	Est. Price	Price/NLA	Est. Yield	Purchaser
Chevron Tower (50%)	Prem.	\$390m	\$15,000	c.5.0%	Invesco
Exchange Tower (50%)	Prem.	\$326m	\$9,513	6.9%	GIC
HBF House	A	\$130m	\$10,000	c.6.0%	Union Inv.
ENI House	A	\$86m	\$5,976	7.0%	Primewest
66 St Georges Trc	B	\$72m	\$6,335	c.3.5%	CorVal

Source: Knight Frank / Savills / Redhill - All transactions listed are from December 2018 or later

Foreign investors represents the majority of purchases since 2016. Notable investors include Singapore's GIC which acquired more than \$500m of CBD office assets in FY17/18.

**Redhill Partners; Experienced Perth Office Property Operators**

- Redhill Property Partners ("Redhill") is a specialist real estate fund manager focusing on investment opportunities within Australia. Redhill Property Partners is the holder of an AFSL licence number 503 243.
- We have a proven track record of maximising property values through knowledge of different Australian real estate markets, property fundamentals and hands-on approach to implementing asset and leasing strategies.
- Redhill has institutional deal sourcing capabilities via on and off market channels through its network of established relationships across Australia.
- Redhill co-invests directly into each investment vehicle when partnering with local and foreign institutions, family office investors and private HNW individuals.
- Redhill is currently focused on institutional value-add and long WALE opportunities in the Perth, Canberra and Adelaide markets.

**Approximately \$100m of Perth Properties Acquired in 2018**

**45 St Georges Terrace, Perth**

- Acquired for \$53.5m in Feb 2018
- Recently leased 1,200 sqm vacancy to the Federal Government on attractive terms, four weeks after completion of a speculative fitout
- Forecast IRR >16% based on independent valuation as of 31<sup>st</sup> December 2018

**441 Murray Street, Perth**

- Acquired for \$22.0m in Apr 2018
- Well located building close to leading oil and gas companies
- Speculative fitout for one floor completed
- In discussions with potential whole building occupiers

**18 Brodie-Hall Drive, Bentley**

- Acquired for \$18.25m in Nov 2018
- Fully leased to state Government agency on a new 9.4-year lease
- Initial dividend yield of 8.0%, averaging 9.1% over a 7-year investment term
- Syndicated to Australian wholesale qualifying investors

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