

# Stirling Enhanced Yield Fund

The Fund offers Unitholders exposure to three institutional quality commercial real estate assets within the highly sought after industrial and Large Format Retail sectors. Stirling is targeting a 7.9% p.a. average net cash distribution yield and a total return of 9.6% p.a., reflecting a gross tax equivalent total return of 13.3% p.a. for highest tax bracket investors due to tax deferrals.



## Fund assets

Two adjoining industrial warehouses located in the prime industrial estate of Steel River, Mayfield West which adjoins the Port of Newcastle and the Pacific Highway. Leased to Port Hunter Conveyors, a engineering services business with a successful 35-year history, until May 2028.

MacGregor Home, a dominant 12,330 sqm Large Format Retail Centre located 11km south of the Brisbane Central Business District. National tenants, including The Good Guys, comprise 60% of the property income with a 5.9 year WALE.

## Target returns

Stirling is targeting a 7.9% p.a. average net cash distribution yield and a total return of 9.6% p.a., reflecting a gross tax equivalent total return of 13.3% p.a. for highest tax bracket investors due to tax deferrals, over the term of the Fund. The target returns are supported by a 5.9-year WALE and Weighted Annual Average Rent Reviews of 3.2%.

## Diversified tenant base

The Fund has diversified exposure to eight tenants across the household goods, recreational service and engineering service sectors. Maximum single tenant exposure by net income is 20% (Port Hunter Conveyors) with national tenants contributing to 50% of Fund net income.

## Exposure to the strongly performing Industrial and Large Format Retail sectors

The Industrial and Large Format Retail sectors have delivered exceptional investment returns over the medium term. Nationally the Industrial sector was the best performing real estate sector in 2020 delivering a total return of 14%, three times that of the office sector. The Large Format Retail sector in Brisbane continues to benefit from robust population growth and strong house price growth. Since 1983 sales turnover within the Large Format Retail sector in Queensland has grown by an average of 7.0% p.a. outperforming NSW (5.3% p.a.) and Victoria (5.2% p.a.)

## High growth markets

Brisbane and Newcastle are benefitting from strong population growth, decentralisation of employment outside of Sydney and Melbourne and significant infrastructure investment. In 2020 Brisbane's population grew by 1.9% which was 72% greater than Sydney and 19% greater than Melbourne. Newcastle was a prime beneficiary of the 127% increase in migration from Capital Cities to Regional areas in 2020 with population growth of 1.8%.

# Fund assets

## MacGregor Home

The Fund has entered into a Contract to acquire MacGregor Home, a dominant Large Format Retail Centre located within the premier Large Format Retail precinct of Brisbane South, 11km south of the Brisbane CBD. MacGregor Home comprises a Gross Building Area of 12,335 sqm on a 2.91 hectare site. The Centre underwent a significant capital expenditure program in the past four years including new air conditioning, rear facade and fire services upgrade.



## Strategic Location

- MacGregor is recognised as one of the strongest Large Format Retail precincts within Metropolitan Brisbane
- High level of exposure with 59,000 vehicles per day passing MacGregor Home. Excellent access to the Pacific Highway which is within 1km
- Significant critical mass, exposure and retail diversity with national tenants such as The Good Guys, James Lane, Nick Scali, Amart Furniture, Rebel and Supercheap Auto represented within the MacGregor precinct

## Strong Main Trade Area

- The Main Trade Area (MTA) comprises 216,400 persons, one of the largest MTA's within Metropolitan Brisbane
- Household income within the MTA is 19% above the Australian average
- 34% of the MTA comprises the favourable 20-39 age cohort versus the Australian average of 28%

## Diversified Occupier Base

- The MacGregor store is one of The Good Guys' stronger performing outlets and includes a dominant click and collect trade, and is the Centre's largest tenant comprising 23% of the Net Operating Income (NOI)
- 7 tenants with national tenants comprising 60% of the NOI
- 91% occupied with a 2.3 year gross rental guarantee over the single vacancy

## Key Property Investment Metrics

- Purchase price: \$42.15 million
- Initial acquisition yield of 6.0%
- 5.9-year WALE
- Fixed annual rental increases of 3.3%

## 9 Channel and 11 Channel Road, Mayfield West, Newcastle

Adjoining industrial warehouses located in the prime industrial estate of Steel River which adjoins the Port of Newcastle. Leased to Port Hunter Conveyers, a engineering services business with a successful 35-year history, to May 2028, with 2 x 7-year options.



### Strategic Location

- Infill industrial estate 8km north of the Newcastle CBD. Recent development within the estate comprises predominately strata office/warehouse which limits competing supply of larger scale warehouses
- Excellent connectivity to the Port of Newcastle, the Pacific and New England Highways, freight rail and Newcastle Airport
- Strategic location for Port Hunter Conveyors who have occupied the premises since 2008

### Strong Market Fundamentals

- Vacancy rate across the broader Newcastle industrial market is very low, at 3.7%
- Over the last decade industrial rents in Newcastle have grown at a compound average rate of 4.5%
- Limited remaining infill industrial sites within Newcastle. Competing land supply is limited to Beresfield, 12km north west of Steel River

### Functional Industrial Improvements with Flexibility

- Two high bay clearance warehouses with excellent site access
- 5,438 sqm Gross Building Area across both warehouses on a 14,325 sqm site
- Two titles which provides future flexibility

### Key Property Investment Metrics

- Purchase price: \$9.92 million (May 2021)
- Initial acquisition yield of 6.2%
- 6.8-year WALE
- Fixed annual rental increases of 3.0%

## Fund investment metrics

Fund Metrics	
Portfolio GAV	\$52.1 million
Number of assets	3
Geographic allocation	81% metro Brisbane 19% Newcastle
Sector allocation	81% Large Format Retail 19% industrial
WALE	5.9 years
Target distribution yield	7.9% p.a.
Distributable income growth	3.2% p.a.
Target IRR	9.6% p.a. (gross tax equivalent) 13.3% p.a. for highest tax bracket investors)
Commencing NTA	\$0.88 per unit
Fund Borrowings	\$25 million
LVR	48%

Tenant	Sector	% of Portfolio Net Income	Lease Expiry
Port Hunter Conveyers	Engineering services	20%	May 2028
The Good Guys	Electrical retail	19%	May 2026
Focus on Furniture	Furniture retail	14%	Oct 2026

Investment Offering	
Minimum investment	\$50,000 (thereafter in multiples of \$10,000)
Offer amount	\$25.4 million
Target Year 1 net distribution yield	7.2% p.a.
Tax deferred	Commencing estimate 40%
Distributions	Quarterly
Liquidity event	After 3.5 years
Stirling Co-investment	\$1.0 million
Independent research	Core Property Research rating "Recommended"

Debt Financing to Fund MacGregor Home acquisition	
Financier	Commonwealth Bank of Australia
Amount	\$20.232 million
Initial LVR	48%

Fees	
Management fee	0.75% p.a. of gross asset value
Performance fee	15% in excess of an IRR of 8% p.a. (net of management fees)
Proponent fee	1.5% of Property purchase price



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