PLACER PROPERTY

INVESTOR NEWSLETTER

May 2017

The Stables Property Fund

Woolworths records good sales growth

The Stables Shopping Centre has now been open for two years with Woolworths commencing trading in April 2015, and most of the specialty tenants starting trading shortly after.

Woolworths is performing to expectations and has been reporting consistent retail sales growth since its opening. Woolworths' most recent sales report for March 2017 recorded an impressive 14% increase in retail sales compared to last year, continuing the good performance.

A supermarket that trades well is important for the centre as specialty tenants benefit and rely on the customer traffic flow generated by Woolworths.

Leasing update

Most new suburban neighbourhood shopping centres take two to three years to establish themselves fully. As the surrounding community becomes aware of the new property and retail stores, it adjusts its shopping patterns.

Over the past two years, Placer Property has been meeting regularly with the retail operators at The Stables to assess how the individual stores are performing. Each neighbourhood is unique with different socio-demographic profiles. A retailer may experience success at one centre but find trading conditions difficult at another nearby centre. The feedback from retailers is that The Stables generates much of its sales in the afternoon when people return from work, and the centre's operating hours extend to capture this trade to benefit the retailers.

Placer is pleased to announce that it has secured Golden Grove Chiropractic as a new operator who will be leasing 90 square metres. Golden Grove Chiropractic will occupy shop T6. Obtaining another medical

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type service for The Stables Shopping Centre is an ideal outcome as it complements the existing large medical centre and pharmacy. The tenant is expected to open early July 2017 after completing the fit out. Commercial terms have also been agreed to lease the 117 square metre vacant shop T13 to a dentist, however this remains subject to legal execution of the documentation.

The lotto operator, who has a short lease, will not continue their lease. The lotto occupies a relatively small 30 square metre shop.

The fund has the benefit of a cash backed rental guarantee over initial vacant space for the period 9 May 2016 to 8 May 2018. A significant advantage of the rental guarantee is that it provides Placer Property with time to secure the right tenant for the property rather than take a short-term view and provide a quick fix leasing solution.

The centre occupancy rate is now 94% of gross lettable area, compared with 93% previously. The occupancy rate will increase to 96%, subject to the dentist completing the necessary legal documentation.

Placer Property is also in preliminary discussion with two prospective tenants whose usage will also complement the property.

Financial performance

The table below provides a snapshot of the fund's financial performance by comparing the actual financial results for the period 1 July 2016 to 31 December 2016 against the Product Disclosure Statement's financial assumptions.

The fund is performing to expectations with no significant variances being recorded.[1]

The fund's most recent financial report for the year ended 31 December 2016 is available, and you can access it on Placer Property's website, **www.placerproperty.com.au**.

Key information	Fund Start	31-Dec-16 PDS Forecast A	31-Dec-16 PDS Actual B	*Variance A vs. B*
Property				
Property valuation $ million	$28.0	$28.0	$28.0	*0.0%*
Occupancy rate	93%	93%	93%	*0.0%*
Weighted average lease expiry profile (WALE) by income	11 years	10.3 years	10.3 years	*0.0%*
Net property income $ million (6 months)		$0.91	$0.93	*2.5%*
Fund				
Units on issue '000	26,500	26,500	26,500	*0.0%*
Actual/forecast income distribution to unitholders (financial year)	7.60%	7.60%	7.60%	*0.0%*
Net tangible asset per unit (NTA)	$0.95	$0.95	$0.95	*0.0%*
Financial				
Profit attributable from operations $ million (6 months)		$0.65	$0.67	*4.0%*
Total fund assets $ million	$28.8	$29.0	$30.0	*3.3%*
Total fund liabilities $ million	$13.2	$13.4	$14.3	*7.1%*
Fund net assets $ million	$15.6	$15.6	$15.7	*0.1%*
Financing				
Debt $ million	$12.5	$12.5	$12.5	*0.0%*
Gearing ratio	43.4%	43.1%	41.7%	*-3.8%*
Interest cover ratio - times	3.55	3.55	3.57	*0.6%*

1. The total fund assets and liability variances (assets 3.3% higher and liabilities 7.7% higher) are short-term resulting from the fund's equity raising activities.

Centre surrounded by substantial residential development

NewActon East Property Fund

NewActon East Property Fund continues to perform well.

- The property remains 100% leased;
- Distribution rates have exceeded the original Product Disclosure Statement forecast and continue to grow;
- $4.3 million or 9.5% increase in the property valuation since acquisition; and
- Net tangible asset backing per unit is $1.01, and investors have recovered all the original ownership and fund establishment costs.

The fund's most recent financial report for the year ended 31 December 2016 is available, and you can access it on Placer Property's website, **www.placerproperty.com.au**.

The table below provides a review of the fund's financial results at 31 December 2016 compared with 31 December 2015.

Key information	31-Dec-15 Actual A	31-Jun-16 Actual B	31-Dec-16 Actual C	*Variance A vs. C*
Property				
Property valuation $ million	$47.25	$49.40	$49.40	*4.6%*
Occupancy rate	100%	100%	100%	*0.0%*
Weighted average lease expiry profile (WALE) by income	7.8 years	7.3 years	6.8 years	*-12.8%*
Net property income $ million (12 months)	$3.35	$3.55	$3.61	*7.7%*
Fund				
Units on issue '000	26,500	26,500	26,500	*0.0%*
Actual/forecast income distribution to unitholders (financial year)	7.75%	8.60%	8.70%	*12.3%*
Net tangible asset per unit (NTA)	$0.94	$1.01	$1.01	*7.9%*
Financial				
Profit attributable from operations $ million (12 months)	$2.11	$2.39	$2.38	*12.7%*
Total fund assets $ million	$48.46	$50.41	$50.40	*4.0%*
Total fund liabilities $ million	$23.59	$23.78	$23.54	*-0.2%*
Fund net assets $ million	$24.87	$26.63	$26.86	*8.0%*
Financing				
Debt $ million	$22.50	$22.50	$22.50	*0.0%*
Gearing ratio	46.4%	44.6%	44.7%	*-3.8%*
Interest cover ratio - times	3.76	3.81	3.58	*-4.8%*

Canberra office market

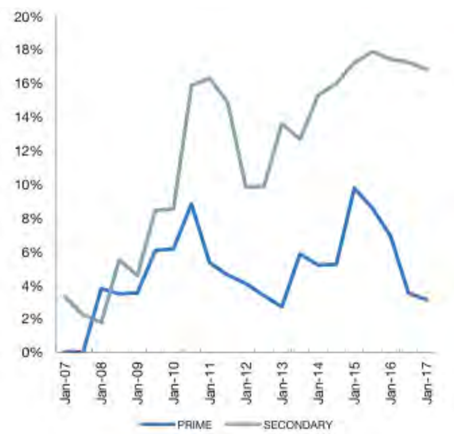
A report dated March 2017, by Knight Frank, indicated that the Canberra office market is continuing to improve. These are the key highlights of the report:

- There has been robust demand for leasing space, and low levels of new supply as a result of developers converting a number of existing properties to residential or other usages. The total stock of leasable space in Canberra was 2.342 million square metres, compared to 2.369 million square metres in August 2014.
- Canberra's overall vacancy rate was 12.6% at January 2017, down from 13.0% July 2016 and 14.6% the year prior. See Figure 1. Knight Frank measured A-Grade office vacancy at 9.5%, and 3.1% excluding the Airport precinct. This vacancy is substantially below the ten-year average of 5%.

Figure 1

Canberra Vacancy Major Precincts*

Per six month period (%) - by grade



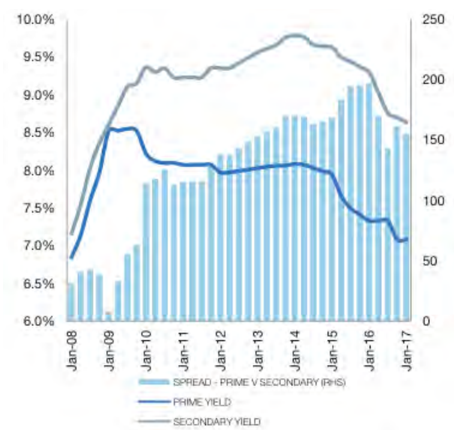
Source: Knight Frank Research/PCA

*Incorporates Civic, Parliamentary Precinct & Town Centres

Figure 2

Core Market Yields & Spread

Canberra Blended Average – Prime & Secondary



Source: Knight Frank Research

- Prime and secondary effective rents have increased by 2.3% and 7.8% year on year respectively across Civic and Parliamentary office precincts.
- The Canberra market continues to attract interest from both offshore and domestic investors who are drawn to the higher yields on offer compared to Melbourne and Sydney. Sales volumes for 2016 were $418.7 million, being one of the highest on record. Demand has resulted in some firming of office yields leading to higher pricing.

Australian commercial property investment market

The Australian commercial property market continues to perform strongly. Yield compression1 was the common theme in 2016. Right across Australia, investors set new yield benchmarks for different grades of buildings. See Chart 1 office yields.

While yields are at record lows, investment fundaments remain firm with a broad spread between property yields and government bond rates (Chart 2), and high rental growth across most property sectors, particularly those assets located in Melbourne and Sydney.

The third factor placing pressure on pricing is the competitive tension from domestic and offshore buyers seeking office, retail and industrial property. Australian property yields remain higher than in many overseas markets. JLL recently stated that foreign investors accounted for 42% of their office asset transactions.

The consensus is that commercial property yields might not have peaked and will continue to remain flat while long-term bond rates remain low. Infrastructure development in Melbourne and Sydney, increasing population and tenant demand will also support property values in the near term.

Chart 1 – Prime office yields by market (%)

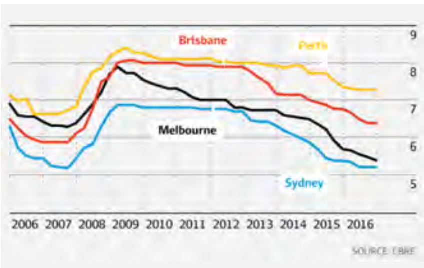
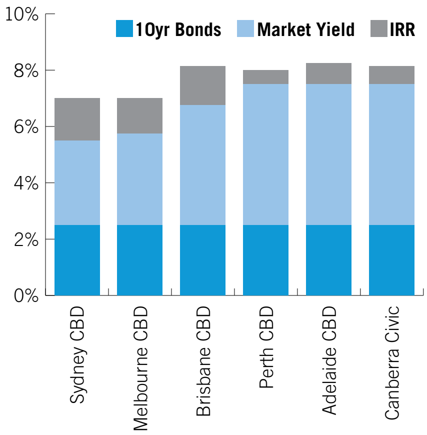


Chart 2 – Yield and IRR Spread to Bond Rates – A Grade Average



Source: Savills

1. The "yield" of a property is the annual return you are likely to get on your investment. It is calculated by expressing the yearly net rental income generated by the asset as a percentage of how much the asset is worth.
2. IRR " internal rate of return" is the total return including income and capital generated by the property asset for the period.

2017 Distribution Timetable

The distribution schedule for calendar 2017 is as follows:

Quarter ending	**Dec 2016**	**Mar 2017**	**Jun 2017**	**Sep 2017**
Distribution payment	8th Feb 2017	8th May 2017	8th Aug 2017	8th Nov 2017

The distribution dates listed in the table above are indicative only and may be subject to change.