
ASX Announcement**18 July 2019****Auburn Central - BIG W Repositioning and Valuation Update**

Elanor Retail Property Fund (“ERF” or “Fund”) announces the successful negotiation for the early surrender of the BIG W Discount Department Store (“DDS”) lease at the Auburn Central shopping centre. BIG W will cease trading at the centre at the end of January 2020, ahead of the lease expiry in June 2024.

Auburn Central, being located immediately adjacent to the Auburn train station, benefits from over 12 million customers visiting the centre annually. The closure of the centre’s 7,159m² DDS is a positive catalyst for the transformation of Auburn Central into a Sydney metropolitan, dual supermarket, neighbourhood shopping centre. The repositioning of the centre further establishes Auburn Central as a strongly performing retail investment focussed on non-discretionary goods and services, catering to the increasingly densifying trade area. The repositioning will also extend customer dwell time whilst improving the amenity of the centre.

The redevelopment works at Auburn Central are planned to commence in February 2020, immediately following BIG W’s closure. The program of works is expected to be completed in late 2020. ERF’s earnings will not be adversely impacted during the redevelopment of the centre, as:

1. All expected rental downtime from the DDS vacancy will be adequately covered by BIG W’s lease surrender payment;
2. The balance of Auburn Central’s retail operations are expected to be unaffected and remain at 100% occupancy; and
3. The repositioned DDS tenancy is expected to open fully occupied upon completion in late 2020.

Importantly, a Heads of Agreement has been executed with a key mini-major retailer to take a significant component of the available area. Furthermore, strong leasing interest has been generated ahead of the project commencement.

Further to the Fund’s announcement on 24 June 2019, an independent valuation of the Auburn Central property has been completed incorporating this significant achievement for the centre. The property has been independently valued at \$101.50 million, on an as-complete basis, as at 30 June 2019. This valuation results in an increase to the NTA of ERF of approximately \$0.12 per security. The repositioning project is forecast to generate incremental net property income reflecting a yield of 10% on total development costs of \$20.7 million. All development costs will be debt financed.

Commenting on the announcement, ENN CEO Glenn Willis, said: “The potential to improve sales productivity from the DDS tenancy at Auburn Central was identified as a strong value-add opportunity for the investment. The successful negotiation for the early surrender of the BIG W lease has now facilitated our repositioning strategy at Auburn Central. The introduction of additional non-discretionary retail uses at the centre will generate higher sales productivity and increased rental income, thereby adding significant value for ERF investors.”

ERF’s Fund Manager, Michael Baliva, said “Well located shopping centres continue to provide opportunities to reposition retail floor space. We look forward to continuing to drive the transformation of Auburn Central into a strongly performing, non-discretionary focussed neighbourhood centre, to grow investment returns for ERF security holders.”

For further information regarding this announcement please contact:

Glenn Willis
Managing Director and Chief Executive Officer
Elanor Investors Group
Phone: (02) 9239 8400