



Managed by  
HMC Funds Management Limited  
(ACN 105 078 635; AFSL 237257)  
as responsible entity of the  
HomeCo Daily Needs REIT (ARSN 645 086 620)

## ASX RELEASE

8 December 2022

### HOME CO DAILY NEEDS ANNOUNCES ACCRETIVE ACQUISITION AND STRATEGIC INVESTMENT IN LAST MILE LOGISTICS FUND

#### Key Highlights

- Proposed acquisition by HomeCo Daily Needs REIT (**ASX: HDN**) of Southlands Boulevard, a rare triple supermarket anchored daily needs centre in metropolitan Perth for \$92.5m
- HMC Capital (**ASX: HMC**) today announced its unlisted Last Mile Logistics fund (**LML Fund**) initiative, which HMC advises is on-track for a target first close equity raising of \$500m by 1H 2023
  - HDN has provided a \$50m commitment alongside Woolworths and HMC Capital has advised that institutional investors are in due diligence and progressing internal approvals
  - The LML Fund is a complementary strategy which provides HDN with a right of first offer, but not an obligation, to acquire assets in the future once they have been repositioned into core daily needs centres
- FY23 FFO per unit and DPU guidance of 8.6 cents and 8.3 cents reaffirmed
  - 1.9% pro forma FY23 FFO accretion<sup>1</sup> from Southlands Boulevard acquisition and LML Fund investment to be offset by settlement timing, proposed asset sales and higher assumed floating debt costs
  - HDN is actively exploring several potential large format retail divestment opportunities to neutralise the gearing impact of the Southlands Boulevard acquisition and the LML Fund investment

#### Southlands Boulevard Acquisition

HDN is pleased to announce the proposed acquisition of a 100% interest in Southlands Boulevard for \$92.5m. Settlement is expected to occur in February 2023.

The acquisition is consistent with HDN's strategy to acquire high quality convenience focused assets in metropolitan locations with future development upside. The centre is highly productive, generating approximately \$139m of turnover p.a. with approximately 80% of income weighted to daily needs tenants. The opening of Aldi in 1H 2023 will complement the existing Woolworths and Coles offering, making this a rare triple supermarket anchored daily needs asset.

The acquisition is immediately FFO accretive and accelerates HDN's strategy to rebalance towards its Model Portfolio by increasing exposure to neighbourhood and health & services tenants.

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<sup>1</sup> On a full year basis.

HDN CEO Sid Sharma, said: “We are delighted to have secured a high quality and complementary daily needs asset on attractive terms as part of a portfolio acquisition. The asset is located 12 kilometres south of the Perth CBD in an affluent metropolitan location which further strengthens HDN’s strategic network of last mile infrastructure across greater Perth.”

## Property overview – Southlands Boulevard, WA

Key Metrics <sup>2</sup>	
Forecast settlement	Feb-23
Price	\$92.5m
WARR <sup>3</sup>	4.2%
Occupancy	96.0%
WALE (Income/GLA)	5.9 years / 7.2 years
GLA	22,401 sqm
Site Coverage	39%
Total Centre MAT <sup>4</sup>	\$139m
Car Parking	1,250 bays



## Investment in Last Mile Logistics Fund

HMC Capital today announced an update on the proposed establishment of a new unlisted institutional fund (**LML Fund**) which will target core plus returns (10%+ IRR) from repositioning well-located and strategic real estate into daily needs retailer focused infrastructure.

- The LML Fund will target transition assets which are outside of HDN’s investment mandate (refer to appendix B). The LML Fund will not acquire assets that fall under HDN’s investment mandate without HDN being offered the opportunity first
- The LML Fund has secured its first seed asset with the proposed acquisition of Menai Marketplace for \$150m with settlement expected to occur in February 2023

HMC Capital is targeting to raise \$500m of equity for the LML Fund by the end of the 1H 2023, which will provide the LML Fund with up to \$1.0bn of acquisition funding capacity.

- Early equity commitments have been provided by HDN and Woolworths
- HMC Capital has advised that institutional investors are in due diligence and progressing internal approvals for an equity commitment in the LML Fund
- HDN’s commitment of \$50m will represent approximately 10% of total equity at first close and HDN has no obligation to increase its investment in the LML Fund in the future

The commitment by HDN highlights the complementary nature of the LML Fund strategy and the opportunity for HDN to benefit from a significant pipeline of acquisition opportunities in the future.

<sup>2</sup> As at 30-Sep-22 unless otherwise stated.

<sup>3</sup> Fixed average rent review by gross rent (excludes supermarkets, CPI-linked tenants and expiries).

<sup>4</sup> As at 31-Aug-22.

- The LML Fund will grant HDN with a right of first offer, but not an obligation, to acquire properties from the LML Fund which have been successfully transitioned into core daily needs assets

HDN Chair Simon Shakesheff, said: *“We are excited to partner with HMC Capital on this complementary growth initiative to build a market leading omni-channel distribution platform. This relatively small capital investment has the potential to create a significant growth pipeline for HDN in the future.”*

### **Outlook and guidance**

HDN reaffirms FY23 FFO guidance of 8.6 cpu and DPU guidance of 8.3 cents.

The proposed acquisition of Southlands Boulevard and strategic investment in the Last Mile Logistics fund are forecast to be 1.9% accretive to FY23 FFO<sup>5</sup> per unit in isolation, however this is expected to be offset by settlement timing, proposed asset sales and higher floating debt costs.

The reaffirmed FFO guidance includes the following assumptions:

- Average BBSY of 2.9% (previously 2.7%) over the financial year
- Financial close for LML Fund in 3Q FY23

HDN is actively exploring several potential large format retail divestment opportunities to neutralise the gearing impact of the Southlands Boulevard acquisition and the LML Fund investment

Authorised for release by the Board of the Responsible Entity.

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<sup>5</sup> On a full year basis.

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### ***About HomeCo Daily Needs REIT***

*HomeCo Daily Needs REIT (HDN) is an Australian Real Estate Investment Trust listed on the ASX with a mandate to invest in convenience-based assets across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. HDN aims to provide unitholders with consistent and growing distributions. HDN is Australia's leading daily needs REIT with a combined portfolio size of approximately \$4.8bn spanning approximately 2.6 million square metres of land in Australia's leading metropolitan growth corridors of Sydney, Melbourne, Brisbane, Perth and Adelaide.*

## Appendix A: Last Mile Logistics Fund – Fund Overview

Key terms	
<b>Target Fund Size</b>	<ul style="list-style-type: none"> <li>▪ \$1.0 billion</li> </ul>
<b>Target Raise (first close)</b>	<ul style="list-style-type: none"> <li>▪ \$500 million</li> </ul>
<b>Investment Strategy</b>	<ul style="list-style-type: none"> <li>▪ The LML Fund will target core plus transition assets (Sub Regional, Neighbourhood and LFR assets) with potential to unlock additional upside through repositioning the assets into non-discretionary Daily Needs uses with essential last mile real estate infrastructure<sup>1</sup></li> </ul>
<b>Target returns</b>	<ul style="list-style-type: none"> <li>▪ +10% levered IRR</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>▪ Initial term of 7 years</li> </ul>
<b>Target gearing</b>	<ul style="list-style-type: none"> <li>▪ 50% of GAV</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>▪ Investment management</li> <li>▪ Leasing</li> <li>▪ Development</li> <li>▪ Performance fees</li> <li>▪ Base management fees at HDN fund level (in respect of its investment into LML fund) are to be waived and HDN will not be charged acquisition fees in respect of its investment into the LML Fund</li> </ul>

Notes: 1. To be held primarily for the purposes of deriving rental income.



## Appendix B: Investment Mandate

The LML Fund will not acquire assets that fall under HDN's investment mandate without HDN being offered the opportunity first

	HomeCo Daily Needs REIT	Last Mile Logistics Fund	Comment
<b>Subsectors</b>			
Sub Regional	✗	✓	<ul style="list-style-type: none"> <li>HDN has no exposure to discount department stores</li> </ul>
Neighbourhood	✓ <i>Stabilised</i>	✓ <i>Transition</i>	<ul style="list-style-type: none"> <li>LML Fund will target transitional assets with major repositioning opportunities that may result in higher levels of income downtime</li> </ul>
Large Format Retail	✓ <i>Stabilised</i>	✓ <i>Transition</i>	<ul style="list-style-type: none"> <li>LML Fund will consider LFR centres with major repurposing opportunities that may have some portion of income downtime</li> </ul>
Mixed Use	✗	✓	<ul style="list-style-type: none"> <li>Mixed-use projects may include any combination of housing, office, retail, medical, recreational, commercial or industrial components</li> </ul>
Vacant Land	~	✓	<ul style="list-style-type: none"> <li>LML Fund has the ability to acquire all types of vacant land opportunities</li> <li>HDN vacant land acquisitions are typically limited to strategic land parcels adjoining an existing centre</li> </ul>
<b>Exposure</b>			
Supermarkets	✓	✓	
Health & wellness	✓	✓	
Services	✓	✓	
Bulky Goods	✓	✓	
Homewares	✓	✓	
Food Retail	✓	✓	
Food Catering	✓	✓	
Leisure	✓	✓	
Department Stores	✗	✓	<ul style="list-style-type: none"> <li>HDN has no exposure to department stores</li> </ul>
Discount Department Stores	✗	✓	<ul style="list-style-type: none"> <li>HDN has no exposure to discount department stores</li> </ul>
Cinemas	~	✓	<ul style="list-style-type: none"> <li>HDN target exposure to cinema tenants is capped at 10% of NOI at any individual asset</li> </ul>
Apparel	~	✓	<ul style="list-style-type: none"> <li>HDN target exposure to apparel tenants is capped at 10% of NOI at any individual asset</li> </ul>
Jewellery	~	✓	<ul style="list-style-type: none"> <li>HDN target exposure to jewellery tenants is capped at 10% of NOI at any individual asset</li> </ul>