



ASX RELEASE

20 December 2022

Underwood Property Update

Further to the ASX announcement on 16 September 2022 and following the fire that occurred at the Underwood Property on 23 August 2022, Newmark REIT Management Limited (**NRML**) as the responsible entity of Newmark Property REIT (**NPR**) is pleased to announce that it has agreed the following changes to the contract with the Vendor, Clarence Property.

A summary of terms agreed with Clarence Property is as follows:

Contract Price	<ul style="list-style-type: none">Revised contract price of \$56.0m (reduced from \$57.0m)
Structured settlement	<ul style="list-style-type: none">Settlement of the property has been revised to a structured settlement with NPR making a partial payment of \$46.0m on settlement (expected to be 21 December 2022), with the property's title transferring at settlement.The remaining \$10.0m is due and payable upon certain milestones being reached through reinstatement of the building, commencement of trading by affected tenants and rectification of defects.
Income guarantee	<ul style="list-style-type: none">The Vendor has provided a rent guarantee over the gross passing rent derived from tenants within the building that was damaged by the fire, from settlement through to completion of building works and re-commencement of rent.
Reinstatement works	<ul style="list-style-type: none">The Vendor has been appointed under a Development Deed to deliver the reinstatement of the building.The Vendor has appointed Inspired Built Pty Ltd as the builder to deliver the works.Inspired Built Pty Ltd recently delivered the Super Cheap Auto tenancy at the Underwood Property and is a reputable builder.The construction sum under the building contract is \$5.9m (excl. GST).Practical completion date is estimated for September 2023.

Summary of key metrics of the acquisition:

Capitalisation rate	5.25%
Forecast Income yield during reinstatement works period	6.5% per annum (annualised) for the period from settlement through to completion of reinstatement of the building.
Forecast Income yield at completion of reinstatement period	5.5% per annum for the 12-month period following completion of reinstatement of the building.

Property Summary:

Gross Lettable Area	11,112 m ²
Site Area	28,150 m ²
Key Tenants	Officeworks, Supercheap Auto, Sydney Tools, Best Friends Pets
WALE	6 years

Post settlement, pro-forma portfolio metrics for NPR are expected to be as follows:

Total Portfolio Value	\$558.3m ¹
Total Borrowings (drawn)	\$199.1m
Gearing	35% ²
Occupancy	100%
WALE	6.6 years

1. As at expected settlement date. Accounts for Preston 'as-is'.

2. Gearing calculated as interest bearing liabilities less cash divided by total tangible assets less cash.

Summary of NPR Debt Facility:

In order to facilitate the acquisition of the Underwood Property, NPR has favourably amended its facility limit and ICR covenant with its financiers. Key changes to the facility are detailed below.

	New Facility	Previous Facility
Total Facility Limit	\$275.0m	\$215.0m
Interest Cover Ratio (ICR) covenant	2.0x	2.5x

Note: Line fee of 1.1%, margin of 0.5% and LVR covenant of 55% remain unchanged.

Ed Cruickshank, NPR Fund Manager, said: "We are pleased to have reached an agreement with Clarence Property regarding the Underwood property. We are very pleased to secure this high quality large format retail asset, with category leading tenants in a sector that continues to display strong income returns and investment market appeal. The Underwood property will provide investors of NPR with long-term and sustainable income growth underpinned by its leading national tenancy mix (incl. Officeworks, Supercheap Auto, Sydney Tools), its strong and defensive lease expiry profile, and the property's location attributes. The acquisition is complementary to NPR's strategy and existing portfolio and provides the exposure and diversification of geography and defensive and growing income profile that NPR is seeking to provide its investors. We look forward to working collaboratively with Clarence Property and Officeworks through the works period and are excited to see a brand-new building completed in Q3 CY2023".

GUIDANCE UPDATE

NRML re-affirms its FY23 distributions guidance of 8.9 to 9.1 CPU, based on current information and barring any unforeseen circumstances.

Authorised for release by the Board

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