

# ASX release

**9 October 2023**

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## PROPERTY DIVESTMENT - WOLLONGONG

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The Directors of BWP Management Limited, the responsible entity for the BWP Trust ("the Trust"), today announced the execution of a Contract of Sale with an unrelated third party for the divestment of the Trust-owned ex-Bunnings Warehouse property at Wollongong, New South Wales for \$40 million. The proposed divestment to Level 33, a Sydney-based development and construction business with experience in the Wollongong area, is unconditional with settlement expected to occur in June 2024.

The property was acquired by the Trust in 2003 for \$12.0 million on an initial yield of 8.5 per cent, with the sale price of \$40.0 million representing an 81.8 per cent premium to the fair value of \$22.0 million as at 30 June 2023, resulting in a realised internal rate of return of 12.3 per cent since the original acquisition.

The Trust's Managing Director Mark Scatena said that the divestment, supported by an independent valuation, follows a detailed review of alternative uses for the property, with the sale deemed to be in the best interests of unitholders. "The transaction demonstrates the Trust's ability to leverage its development capability and external networks to create value by progressing the site's future development for a higher and better use", Mr Scatena said. "The sale price also reflects the strong underlying land value of the site."

### Wollongong overview

In mid-2022, Bunnings Group Limited ("Bunnings") informed the Trust that it would not exercise its five-year option and would be vacating the store when the lease was due to expire in early 2023. Following this notification, the Trust considered a number of options in relation to the property including redevelopment or sale, in so doing identifying that the highest and best use for the site was for high density residential redevelopment.

In reviewing these options, the Trust engaged consultants to progress a scheme to the Wollongong Council for development approval, whilst also re-leasing the property to the Australia Electoral Commission for a five-year period commencing on 1 June 2023, affording the Trust holding income during redevelopment planning.

The recently completed public sales campaign completed the options review for the site and resulted in a number of offers from New South Wales-based developers. The sale price reflects a 53.2 per cent premium to the fair value prior to Bunnings confirming it would vacate the property.

### Use of proceeds

Whilst proceeds from the divestment are expected to initially be applied to reduce drawn debt, the Trust retains sufficient current headroom to fund acquisitions and developments as opportunities arise.

"The Trust is seeing an increased number of opportunities in the market to acquire properties on yields it considers to be more reflective of risk," Mr Scatena said. "Examples of this include our recently completed acquisitions of the Broadmeadows Homemaker Centre in Victoria and the Southport Showrooms in Queensland, with both sites adjoining BWP Trust-owned Bunnings Warehouses and acquired for \$20.0 million and \$10.0 million, respectively, representing a weighted average initial yield of 6.8 per cent."

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