

# BUNNINGS

WAREHOUSE PROPERTY TRUST

Half-year to 31 Dec 07



*Broadmeadows, VIC*

**February 2008**  
[www.bwptrust.com.au](http://www.bwptrust.com.au)

# Presentation Outline

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- Structure
- Performance for the half-year
- Fundamentals
  - Portfolio
  - Lease covenant
  - Capital Management
- Outlook

# Structure

## ➤ Manager: **Bunnings Property Management Limited**

Subsidiary of WES; **but...**independent board

- John Austin (Chairman); Leighton Properties (Chairman), MREEF, Ringmer Pacific, ex JLL
- Peter Mansell; WAN (Chairman), ZFX (Chairman), GTP
- Peter Johnston; ex WES
- Rick Higgins (joined Dec 07); ex Colliers

## ➤ Major Tenant: Bunnings Group Limited

- subsidiary of WES

## ➤ Register

- WES 23%
- “institutions” approximately 24%
- retail, other approximately 53%



## Performance: half-year to 31 Dec 07

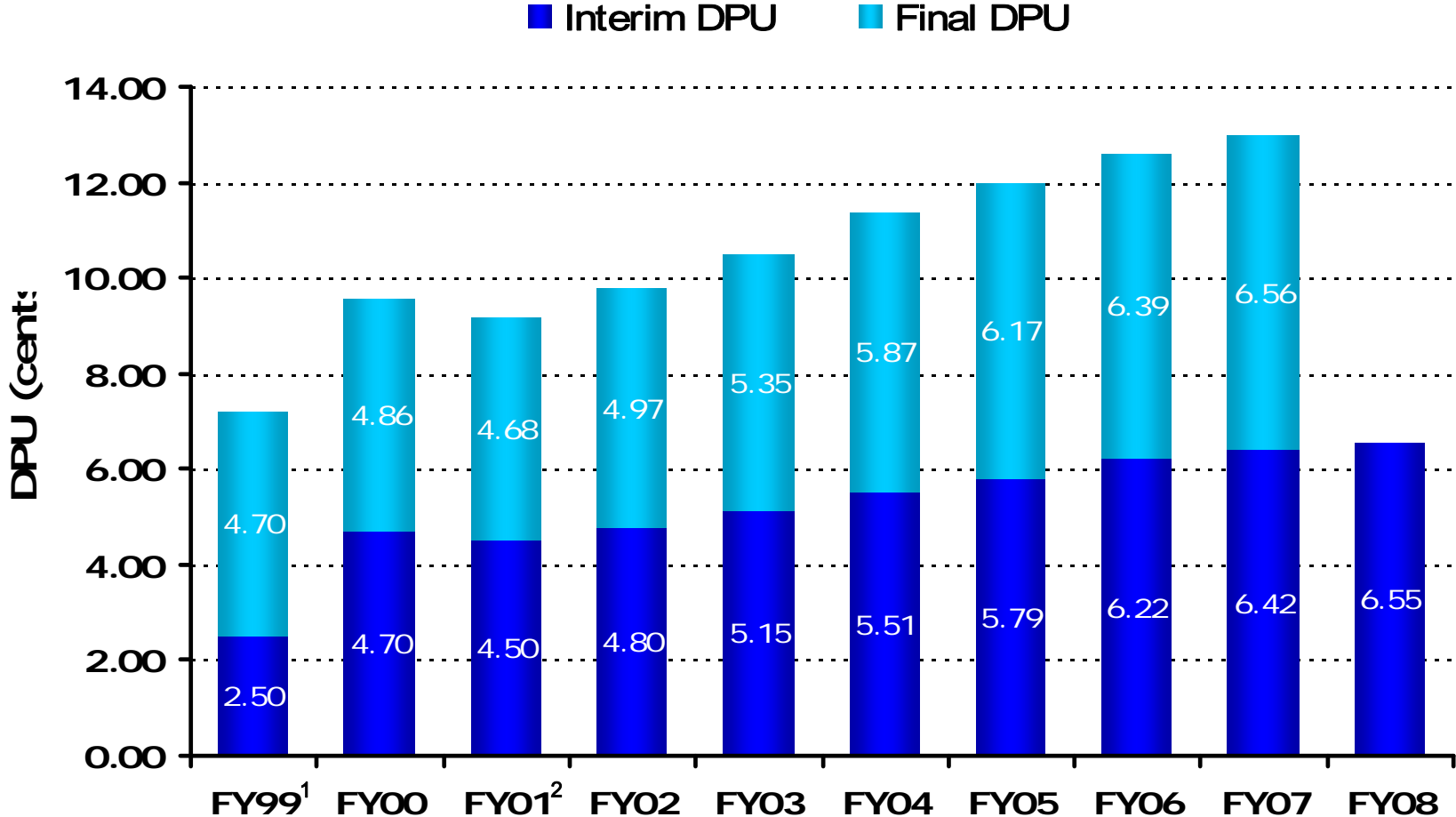
➤ Revenue	\$31.9 million	↑	11.1% on pcp
➤ Distributable profit (excl. unrealised gain in fair value)	\$19.8 million	↑	2.0% on pcp
➤ Final distribution	6.55 cpu	↑	2.0% on pcp
➤ NTA	\$2.30 per unit	↑	\$0.32 on pcp
➤ Market capitalisation <i>Current \$630 million</i>	\$704 million	↑	8.3% on pcp

## Performance: half-year to 31 Dec 07

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- Acquisition, development & upgrades (\$8.6m)
  - (\$2.9m) - acquired 1.2 ha site adjoining Trust's BWH Geraldton, WA
  - (\$0.5m) - developed into two bulky goods tenancies
  - (\$3.4m) - major upgrade BWH Morayfield, Qld @ 8% yield
  - (\$1.8m) - improvements of other Trust properties
  
- 3 Market rent reviews completed
  - rental uplift of \$113k pa
  
- Net revaluation gain \$14.2m (rental growth driven)

# Performance: DPU growth

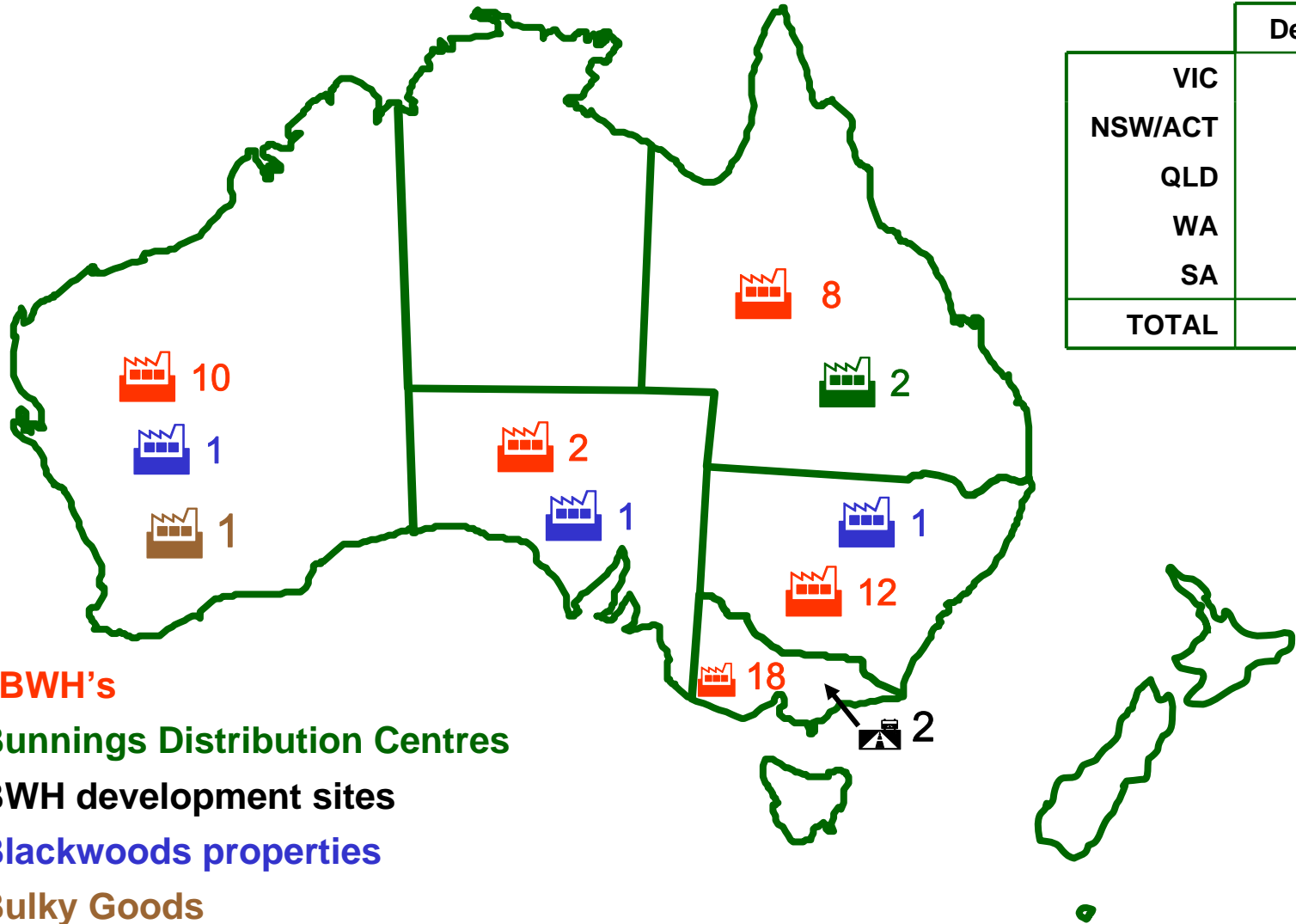


➤ 2.0% increase on pcp

<sup>1</sup>Trust commenced trading Sep 98

<sup>2</sup>end of concessional management fee

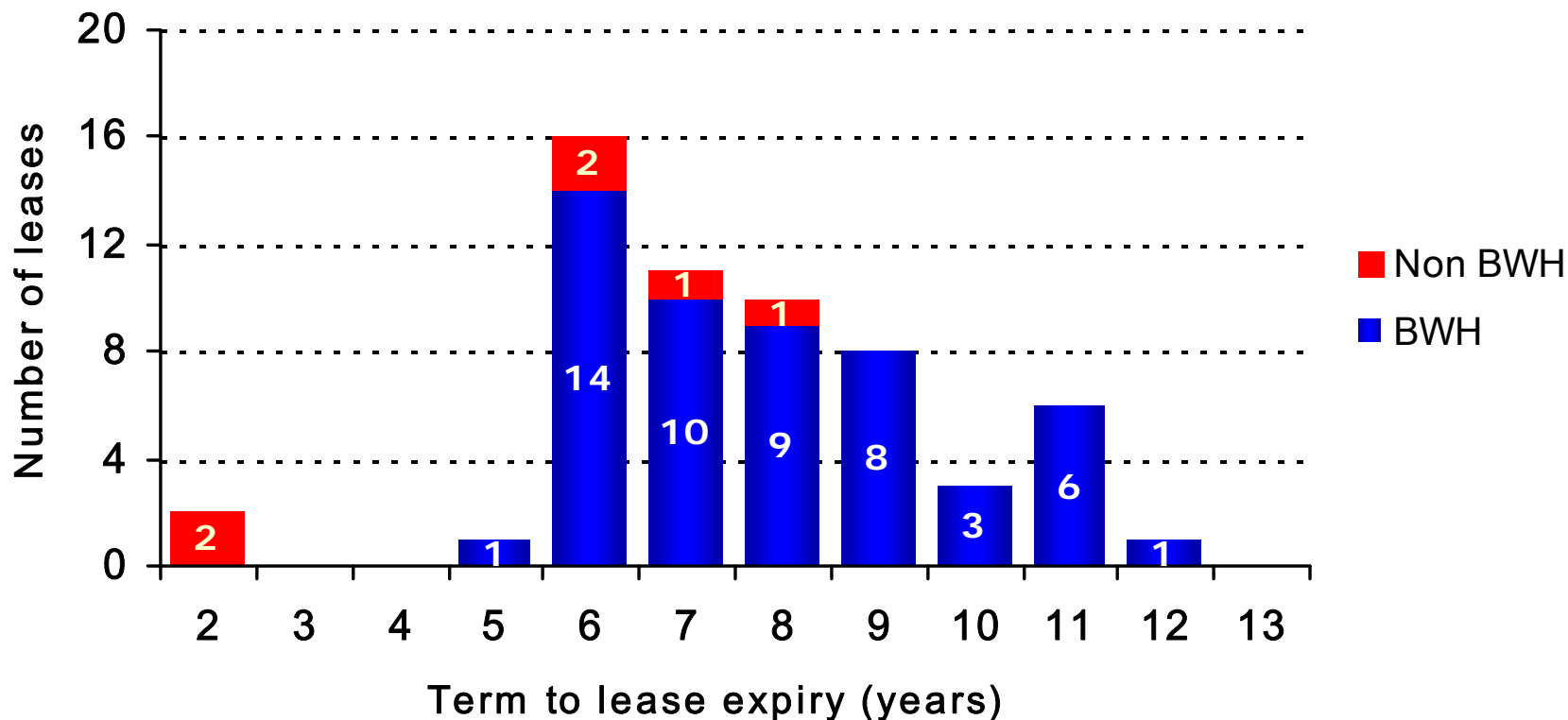
# Portfolio: 58 properties – good geographic spread



	Dec 07
VIC	20
NSW/ACT	13
QLD	10
WA	12
SA	3
<b>TOTAL</b>	<b>58</b>

-  **50 BWH's**
-  **2 Bunnings Distribution Centres**
-  **2 BWH development sites**
-  **3 Blackwoods properties**
-  **1 Bulky Goods**

## Portfolio: 7.4 year weighted average lease expiry



### ➤ Typical BWH lease features

- 5 + 5 + 5 (plus 2 x 5 year options)
- annual CPI escalation
- 5 year market reviews
- WES covenant



## Portfolio: market rent reviews

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- BWH's every 5 years – by reference to comparable BWH's.
- If not agreed then to third party determination.
- Half-year: 3 market rent reviews concluded, 2 negotiated and 1 determined by an independent valuer.
- 5 market rent reviews currently being either negotiated or determined by an independent valuer.
  - Cairns and Hervey Bay, QLD
  - Artarmon, Belrose and Wollongong NSW.

# Portfolio: revaluations

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- Property revaluations
  - 3-yearly independent valuations
  - directors' valuation supported by an independent review on all properties not subject to an independent valuation at each balance date
- Half-year: 2.4% increase in fair value on Jun 07 (rental growth driven)
- Weighted average cap rate 6.6%
- FY08 – 16 independent revaluations
- FY09 – 17 independent revaluations

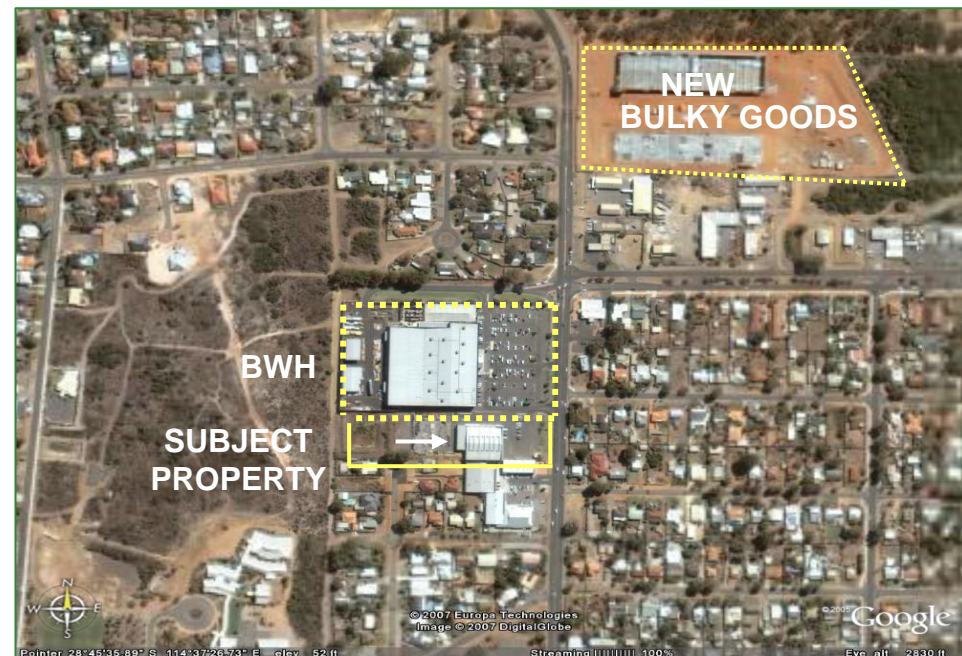
## Portfolio: recent acquisitions

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- BWH development, Hawthorn, VIC (acquired in Apr 07)
  - 9km east of CBD
  - 0.84ha site
  - 7,462m<sup>2</sup> BWH
  - two level concept store with two levels of undercover car park
  - BWP acquired site (\$19.0m) with development agreement in place
  - development risk remains with vendor/developer
  - BWP final payment (\$24.0m) on completion of development expected Dec 08
  - commencing rent \$2.7m - yield 6.25%

## Portfolio: recent acquisitions (cont'd)

- Geraldton Showrooms, WA (\$2.9m + \$0.5m improvements)
  - 1.2 ha site adjoining Trust's BWH
  - total retail area 1,591m<sup>2</sup>
  - 1,200m<sup>2</sup> leased to BCF (Super Cheap Auto Group )
  - 391m<sup>2</sup> vacancy
  - development at rear possible



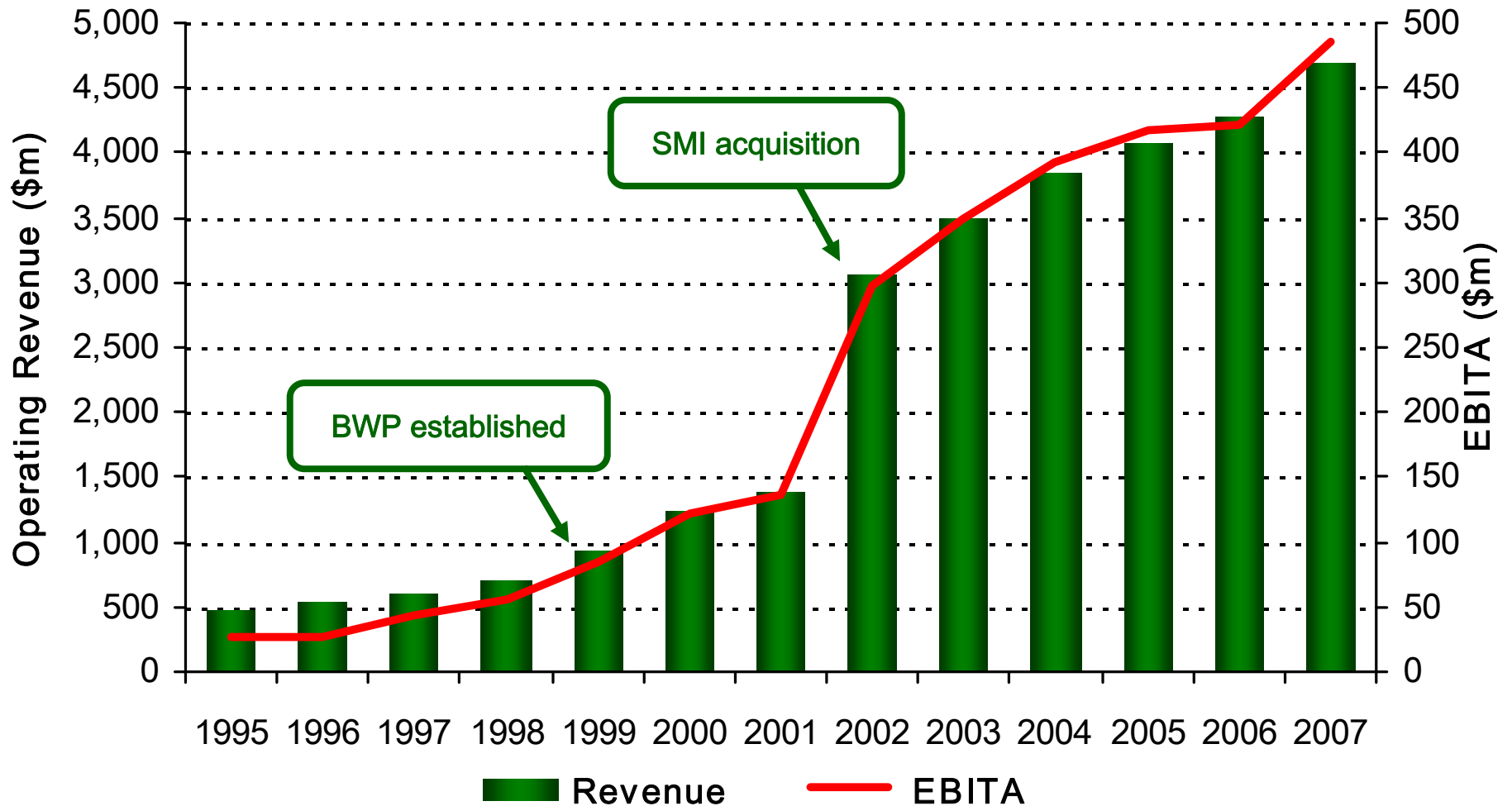
## Portfolio: recent acquisitions (cont'd)

- Blackburn, VIC (\$19.0m) – Jan 08
  - 18km east of Melbourne CBD; near Nunawading 'Golden Mile' bulky goods precinct
  - 4.1ha site; 20,464m<sup>2</sup> office/warehouse facility
  - 2 major tenants (Gainsborough, Sleepmaster) 95% of income
  - net income \$1.43m
  - passing yield 7.5%
  - WALE 4 years
  - Long term redevelopment site



# BWP Major Tenant – Bunnings Group Limited

Strong underlying business across AUS and NZ



# Major tenant: the rollout continues

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- FY07 network
  - 13 BWH openings
  - 3 small format openings
  - 31 store upgrades
  - 7 smaller format closures
  
- Sale of 11 BWH's (6 Aus; 5 NZ) for > AUD \$203m
  
- Sale of 7 Australian BWH's under way

## Capital management: debt facilities

	Limit (\$m)	Drawn (\$m)	Expiry
ANZ	100	93	31 Jan 2009
NAB	100	99	31 Mar 2008*
Westpac	50	50	28 Nov 2008#
Westpac	30	30	31 July 2008 #
	<b>280</b>	<b>272</b>	

\* NAB - review date only

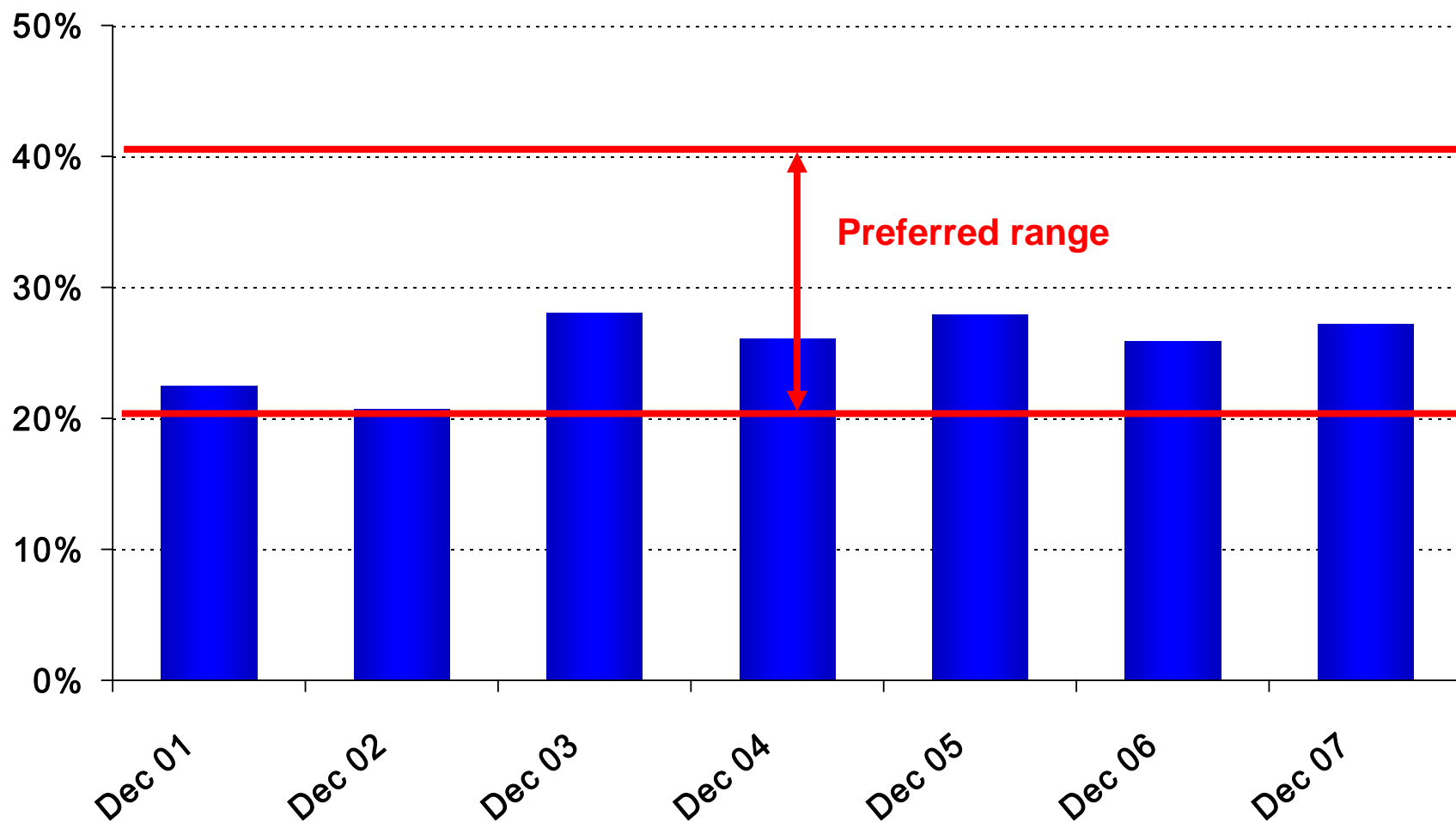
# Westpac - prior to 31 Dec 07 Westpac offered to combine the two limits and extend the facility to 28 September 2009.

### Post 31 Dec 07

Commonwealth Bank \$100m evergreen cash advance facility to Jan 2010 (first review in Oct 08)



# Capital management: gearing well within target range



# Capital management: interest rate management

## BWP Hedge Book Overview

	Dec 03	Jun 04	Dec 04	Jun 05	Dec 05	Jun 06	Jun 07	Dec 07
<b>% Debt hedged<sup>1</sup></b>	98	95	102	100	90	88	82	82
<b>Swap rates (%)</b>								
- maximum	6.62	6.62	6.62	6.62	6.62	6.62	6.67	6.87
- minimum	4.97	4.97	4.97	4.97	4.97	4.97	5.09	5.09

<sup>1</sup>interest bearing debt

- \$221.5m hedged (82%)
- 6.24% weighted ave rate including margins/fees
- 2.5 yrs weighted ave maturity (including delayed starts)

# Outlook

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BWH's continue to be the primary focus for growth, however other acquisition opportunities will be considered that meet the Trust's investment criteria

## ➤ Acquisitions

- BWH's from Bunnings or third party owners (97 BWH's), either established stores or development sites with Bunnings pre-commitment
- non-Bunnings leased properties that meet the investment criteria
  - well located
  - long term leases
  - substantial lease covenants
  - complementary to existing portfolio

## Outlook (cont'd)

- Improve existing Trust owned properties
  - upgrades circa \$5 - \$10m pa
  - BWH Morayfield (\$3.4m) & BWH Mile End (\$2.4m)
  - upgrades currently under consideration (\$4.4m)
  - utilise surplus land, a /a Bayswater Showrooms, Geraldton
  
- Grow rental income from existing portfolio

	FY08	FY09	FY10	FY11	FY12
Rent reviews	7*	21	13	4	7

\* 2 completed, 5 outstanding

## Outlook (cont'd)

	Q1 FY09	Q2 FY09	Q3 FY09	Q4 FY09
<b>Key</b>				
VIC	Altona	Rocklea	Cannon Hill	Lismore
WA	Broadmeadows	Burleigh Heads	Epping	Bayswater
QLD	Mentone	Underwood		
NSW/ACT	Sandown	Southport		
	Scoresby	Hemmant (DC)		
	Sunshine	Port Macquarie		
	Balcatta	Tuggeranong		
	Joondalup	Minchinbury		
		Mandurah		
<b>Passing rent</b>	<b>\$8.3 m</b>	<b>\$10.7 m</b>	<b>\$2.2 m</b>	<b>\$2.2 m</b>

## Outlook (cont'd)

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### ➤ Constraints to Growth:

- low property yields
- rising interest rates

# Disclaimer

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