

ASX release

23 June 2014

PROPERTY TRANSACTIONS

The directors of BWP Management Limited, the responsible entity for the BWP Trust ("the Trust"), today announced the acquisition of a development site in Brendale, Queensland, on which Bunnings Group Limited ("Bunnings") will develop a Bunnings Warehouse. This proposal forms part of a two-property transaction whereby the Trust will also sell the Sunshine Bunnings Warehouse in Victoria to Bunnings.

Brendale acquisition

The Trust has entered into a contract to acquire a development site in Brendale, Queensland on which Bunnings will develop a Bunnings Warehouse. The purchase price of the property is \$7.6 million (plus acquisition costs of approximately \$0.5 million), with settlement expected to occur in June 2014. On completion of the development, the Trust will pay Bunnings a development fee of \$19.23 million, representing a total consideration of \$26.83 million for the completed development, based on a 7.0 per cent capitalisation rate.

The subject property is located at the corner of Kremzow and old North Road, Brendale, approximately 22 kilometres north of the Brisbane central business district. The site is on a prominent corner location that provides excellent visibility to passing traffic.

Covering approximately 4.37 hectares, the subject site will be developed with a Bunnings Warehouse, comprising a total retail area of 14,878 square metres and approximately 394 car parking spaces.

The commencing annual rental income of the property is \$1.878 million, with Bunnings leasing the property on completion for an initial fixed term of 12 years and a further five optional terms of six years each, at Bunnings' election. Under the lease the rent increases by a fixed three per cent per annum. At the end of the initial term and the exercise of each option by Bunnings the rent is subject to a market rent review, having regard to the rents paid at comparable properties. The market rent reviews for the property are subject to a 10 per cent 'cap and collar', meaning that the rent cannot rise or fall by more than 10 per cent of the preceding year's rent.

Until the development is completed, which is expected to occur in early 2015, Bunnings will pay the Trust a 7.0 per cent per annum access fee on the purchase price from the acquisition date until completion.

Sunshine divestment

The Trust has entered into a contract to sell to Bunnings, the Bunnings Warehouse at Sunshine, in Victoria. The sale price of the property is \$13.0 million, which represents a yield of 7.88 per cent on the passing income, with settlement expected to occur in December 2014, and with rent payable until then. Proceeds from the Sunshine divestment will be applied initially to debt reduction, and for the subsequent payment of the development of the Brendale site. The property was acquired by the Trust in 1998 for \$7.0 million, on an initial yield of 9.3 per cent. The sale price is marginally higher than the fair value of \$12.8 million at 31 December 2013, resulting in the property achieving an internal rate of return of 11.9 per cent since it was acquired.



The rationale for the two-property transaction is as follows;

- It enables the Trust to refine the quality of the portfolio by divesting an older-style smaller format Bunnings Warehouse (it was the first Bunnings Warehouse store built in 1994), and replacing it with a new Bunnings Warehouse that is in line with Bunnings' current offer and strategic direction.
- Bunnings is proposing to expand and upgrade the Sunshine Warehouse. The current ownership structure of the property includes third party leased land to Bunnings, which is unique to that site. With full control of the property, Bunnings can undertake the expansion and upgrade on its own accord.
- The transaction enables the Trust to divest an ageing property at an attractive valuation, and in so doing, recycle capital into a new store in an emerging area of Brisbane.

The transactions are "related party transactions" for the purposes of ASX Listing Rule 10.1. The directors of BWPM confirm that both transactions were negotiated on an "arm's length" basis.

The Trust holds a waiver from the ASX which allows it to enter into leasing transactions with Bunnings without the need to obtain unitholder approval under Listing Rule 10.1 subject to certain conditions, including that the lease agreements are substantially on the same terms and conditions established by the parties for leases of Bunnings Warehouse properties. The directors confirm that the Brendale lease is a standard Bunnings Warehouse lease with terms and conditions consistent with the requirements of the revised ASX waiver issued on 17 June 2014 (and consistent with the terms and conditions of leases on ten properties acquired by the Trust with unitholder approval in 2013) and as such, the waiver applies and unitholder approval is not required.

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