
ASX Announcement

19 November 2020

Sale of Auburn Central and Commencement of Buyback

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| <ul style="list-style-type: none">• Sale of Auburn Central for \$129.5 million, a 4.9% premium to book value• Successful execution of retail repositioning strategy at Auburn Central; sale realises a 24.5% IRR for ERF• Pro-forma gearing post-transaction reduced to 17.3% (from 43.7%)• Pro-forma NTA per security increases to \$1.41 (from \$1.34)• ERF will commence on-market buyback to acquire up to 10% of the securities on issue |
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Sale of Auburn Central

Elanor Funds Management Limited (“EFML”) as the responsible entity for Elanor Retail Property Fund (“ERF” or “Fund”) announces that it has exchanged contracts for the sale of the Auburn Central asset to SCA Property Group (ASX: SCA) for \$129.5 million, a 4.9% premium to the book value of \$123.5 million. Settlement is scheduled to occur in mid-December 2020 upon opening of the repositioned area.

The transaction was completed off-market following receipt of several unsolicited offers for the property.

Auburn Central has been transformed into a triple-supermarket anchored, metropolitan neighbourhood shopping centre with the introduction of ALDI and Tong Li supermarkets to complement the existing Woolworths. Furthermore, this repositioning project has generated a 12% income yield on the total development cost of \$20 million.

Fund Manager, Michael Baliva, said “Since ERF acquired the property in 2016, we have been focused on executing our strategy to unlock value through actively repositioning the asset. This has resulted in Auburn Central being converted from a large sub-regional asset to a triple-supermarket neighbourhood centre. The sale of Auburn Central generates a 24.5% IRR to ERF investors and highlights our capability in unlocking the value of our assets through actively repositioning the retail mix to non-discretionary focused offerings.”

Capital Management Initiatives

Proceeds from the sale of Auburn Central will be used to undertake capital management initiatives to further enhance value for securityholders. Specifically, ERF intends to:

1. Repay \$94.1 million in debt which will see Fund gearing fall to 17.3%
2. Reinstate Fund distributions which were suspended due to economic uncertainty created by COVID-19
3. Commence an on-market buyback of up to 10% of ERF’s issued securities

Execution of Retail Repositioning Strategy

The Fund's core strategy is centred on investing in retail real estate assets that generate strong income and present significant value-add opportunities. ERF invests in retail real estate assets that provide opportunities for strong risk-adjusted total returns from realising the highest and best real estate use, including through a repositioning of the centres' tenant mix.

Elanor Investors Group CEO, Glenn Willis, said "ERF is a "Value-Add Retail Real Estate Fund" with a focus on retail assets that provide opportunities for strong investment returns. We are pleased with the sale of Auburn Central following the successful execution of the Fund's repositioning strategy at the asset. The Fund is well positioned to grow through the acquisition of further high-quality, value-add retail properties."

Portfolio Update

The Fund completed the first stage of its retail repositioning strategy for Tweed Mall in August 2019, introducing a new ALDI as the centre's third major supermarket and completing a tenancy remix at the northern mall. The further strategic value-add initiatives to reposition the Centre from a sub-regional asset into a triple-supermarket convenience-based neighbourhood centre are progressing well. The asset is well positioned to benefit from the NSW Government's recent announcement to extend the Gold Coast light rail across the NSW/QLD border to the Tweed Heads CBD.

Trading activity across the Fund's portfolio continues to improve as the Government imposed restrictions related to COVID-19 are being further relaxed. The portfolio's convenience-based centres continue to prove their resilience, benefitting from the continued strong trading performance of the supermarkets and non-discretionary focused retailers. Current trading occupancy is 99.5% of leased area. The quality of the Fund's non-discretionary focused Income Assets is also evidenced by the collection of more than 92% of the rental income for the four months to 31 October 2020.

Given the resilience of the Fund's non-discretionary retail focused shopping centres and demand for strongly performing neighbourhood shopping centres, discussions are in progress with several parties in relation to the divestment program for the Fund's Income Assets.

ENDS.

This announcement has been authorised for release by the Managing Director and CEO of Elanor Funds Management Limited. For further information regarding this announcement please contact:

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About Elanor Retail Property Fund

Elanor Retail Property Fund (ASX: ERF) is an externally managed real estate investment trust that invests in Australian retail shopping centre assets that generate strong income, with a focus on retail assets that provide opportunities for strong risk-adjusted total returns from realising the highest and best real estate use, including through a repositioning of the centres' tenant mix. ERF was listed on the ASX in 2016 and currently owns 7 non-discretionary focussed retail shopping centre assets with a combined valuation of \$317 million.

www.elanorinvestors.com/ERF