



## **Exchange of contracts of sale for remaining properties of SCA Unlisted Retail Fund 3 (SURF 3 or the Fund)**

In July 2020, SURF 3 sold its property at Swansea. The proceeds of the sale of the Swansea property were used to repay a portion of SURF 3's secured debt facility and strengthen the balance sheet of SURF 3.

Since the sale of the Swansea property, the property market has remained strong with strengthened buyer demand, particularly for properties similar to the remaining three properties held by SURF 3. These properties are: Moama Marketplace; Warrnambool Target; and Woodford Village (together, the **Remaining Properties**).

The favourable market conditions have been evidenced by recent transactions in the market and are reflected in improved external independent property valuations, which saw the total value of the Remaining Properties increase from \$40.0m at 30 June 2020 to \$50.2m at 30 June 2021 on a like for like basis. This is an increase of over 25% in one year and the Fund is unlikely to see this magnitude of per annum growth in subsequent years.

### **Sale of the Remaining Properties**

As outlined in the Product Disclosure Statement (**PDS**) of the Fund (dated April 2018), and permitted by the Fund's Constitution and the *Corporations Act 2001* (Cth), the responsible entity (RE) of the Fund may and has decided to sell the Remaining Properties prior to the end of the Fund's nominal term (which ends in 2024).

Distributions made to SURF 3 unitholders following the sale of the Swansea property have been under review as the actual underlying cashflows of the Fund have been less than the distributions. Additionally, the property at Warrnambool has several leases expiring in the short term, in particular the lease with the anchor tenant, Target, which expires in January 2025. We also expect the Warrnambool property to require significant capital expenditure over the upcoming 12 to 18 months (including air-conditioning, refer also to the Fund's PDS).

Considering these and other matters (including the total return to unitholders), in August 2021 the RE of the Fund appointed Jones Lang LaSalle (NSW) Pty Limited, Jones Lang LaSalle (VIC) Pty Ltd, Jones Lang LaSalle (QLD) Pty Limited (collectively, **JLL**) as sales agent to run a sale campaign for the Remaining Properties.

Expressions of interest for the Remaining Properties closed on Thursday, 14 October 2021. In a highly active sales campaign JLL received enquiries from and directly canvassed 435 parties, provided data-room access to 65 groups and received 33 formal offers for one or more of the Remaining Properties. JLL advised that this is a record number of offers received in a sale campaign conducted by the JLL retail investments team.

Following this campaign, we are pleased to advise that the Remaining Properties will be sold to SCA Property Group. Contracts for the sale of the three properties have been exchanged and the sale is expected to complete by November 2021. The aggregate sale price of the Remaining Properties was \$53.6 million or 6.7% in excess of their independent external valuations at 30 June 2021. This represents a gain of 25.8% on the original aggregate purchase price for these properties of \$42.6 million. After repayment of the secured debt facility, selling costs and payment of other liabilities this is expected to be equivalent to around \$1.15 per unit and an internal rate of return of around 11% per annum.

### **Winding up of SURF 3**

Should the sale of the Remaining Properties complete, it is expected that the SURF RE board (as responsible entity of SURF 3) will proceed with the winding up of SURF 3. The sale of the Remaining Properties is expected to complete by November 2021.

If the Board resolves to wind up SURF 3, the proceeds from the sale of the Remaining Properties, less all of the Fund's liabilities (**Net Proceeds**), will be distributed to unitholders in proportion to the number of SURF 3 units held.

Assuming the sale of the Remaining Properties completes by November 2021, we expect that an initial distribution (including return of capital and after selling costs) of around \$1.13 to \$1.14 per unit will be made by the end of December 2021. We expect that this will be followed by at least one much smaller residual distribution by April 2022.

The final winding up and de-registration of SURF 3 is expected to be completed by the end of calendar year 2022.

We will provide another update after the completion of the sale of the Remaining Properties.

Thank you for investing in SURF 3.

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