

ASX release

11 February 2015

COMPLETION OF DEVELOPMENT OF BUNNINGS WAREHOUSE – MARIBYRNONG, MELBOURNE, VICTORIA

The directors of BWP Management Limited, the responsible entity for the BWP Trust (“the Trust”), today announced the acquisition of a completed Bunnings Warehouse in Maribyrnong, Melbourne, Victoria, from Bunnings Group Limited (“Bunnings”).

In June 2001, the Trust acquired 3.4 hectares of land for \$7.1 million, on which a Bunnings Warehouse has since been developed and opened in mid-2013. The property was acquired under the terms of the Warehouse Store Development Deed with Bunnings. The Trust has been receiving rental income of eight per cent on the purchase price of the land since that time.

As part of the acquisition of the site, Bunnings was required to undertake remediation of contamination associated with the property, to the satisfaction of all relevant authorities, which has been achieved.

In agreeing to acquire the completed Bunnings Warehouse development, the Trust will pay Bunnings a development fee of \$31.98 million, representing a total consideration of \$39.075 million for the completed development, supported by an independent valuation at a 6.50 per cent capitalisation rate. Settlement of the development is expected to occur on 13 February 2015, the acquisition will be funded from existing debt facilities, and will be accretive to earnings from settlement.

The subject property is located at the corner of Williamson Road and Rosamond Road, adjacent to the Highpoint Shopping Centre, in the suburb of Maribyrnong, approximately eight kilometres north-west of the Melbourne central business district. The Highpoint Shopping Centre is a “Super Regional” shopping centre, anchored by Myer, David Jones, Big W, Target, Hoyts Cinema and Woolworths, together with 450 specialty tenancies.

A Bunnings Warehouse with a total retail area of 17,551 square metres and approximately 407 car parking spaces has been developed on the site. The commencing annual rental income of the property is \$2.54 million, with Bunnings leasing the property 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 at 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.

Managing Director, Michael Wedgwood, said the transaction provides a good opportunity to further enhance the quality of the Trust’s property portfolio, by adding a very well located large format store, which we expect to meet Bunnings’ requirements in the area, for a number of years.

Following completion of the development, the number of Bunnings Warehouses owned by the Trust is 80 and the total number of properties in the portfolio is 83.



The transaction is a “related party transaction” for the purposes of ASX Listing Rule 10.1 which sets out the approval requirements for substantial asset transactions between related parties. 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. Due to the waiver, it is not necessary to aggregate the value of the lease with the acquisition cost of the property when determining if the asset being acquired is a “substantial asset” under the definition in Listing Rule 10.2. The \$39.075 million value of the transaction, without aggregation of the lease, is well below the substantial asset value threshold at which unitholder approval would otherwise be required under Listing Rule 10.1. The directors of BWP Management Limited confirm that the transaction was negotiated with Bunnings on an “arm’s length” basis; the lease is a standard Bunnings Warehouse lease with terms and conditions consistent with the requirements of the ASX waiver and, as such, unitholder approval is not required.

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