



Managed by
HMC Funds Management Limited
(ACN 105 078 635; AFSL 237257)
as responsible entity of the
HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

5 June 2023

HOME CO DAILY NEEDS REIT ANNOUNCES JUNE 2023 PROPERTY VALUATIONS AND PROGRESS ON ACCRETIVE DEVELOPMENTS

KEY HIGHLIGHTS

- June 2023 preliminary unaudited net valuation impact of -\$73m, driven primarily by 13bps of cap rate expansion to 5.48% with greater than 50% of assets independently valued in the half
- Strong balance sheet maintained with pro-forma gearing below the midpoint of 30-40% target range¹
- Robust operational performance maintained with >99% rent collections, >99% occupancy and leasing spreads of >6% YTD²
- Proactive leasing resulting in over 35%³ of FY24 expiring income being secured with strong focus on remixing towards more defensive daily needs tenants
- FY23 development pipeline (>\$80m) is 100% pre-committed⁴ and remains on budget
- FY23 FFO guidance of 8.6 cents per unit reaffirmed
- Distribution of 2.075 cents per unit for the quarter ended 30 June 2023 declared, resulting in a full year FY23 distribution of 8.3 cents per unit, in line with guidance

HomeCo Daily Needs REIT (**ASX: HDN**) CEO, Sid Sharma said, *“The modest decline in asset valuations reflects the impact of higher interest rates on capitalisation rates, however, this was partially offset by solid rental growth across the portfolio. Pleasingly, HDN’s balance sheet remains well capitalised with pro-forma gearing below the midpoint of our 30-40% target range.”*

“We continue to see strong transactional pricing and liquidity for well-located daily needs assets. This is supporting our strategy to own real estate in metro locations which facilitate both in-store and online fulfilment in a cost-effective and timely manner for Australia’s leading daily needs retailers.”

“Portfolio occupancy remains above 99%, and we continue to collect over 99% of rent. This is translating into re-leasing spreads of >6%, whilst maintaining low incentives of ~5%. We have also proactively re-leased over 35% of FY24 expiring income, introducing more defensive daily needs retail tenants amid a slowing economic backdrop and reduced spending on discretionary categories.”

¹ Pro-forma for unaudited net valuation impact at 30 June 2023 and contracted net acquisitions and divestments in 2H FY23

² For the period 1 July 2022 to 31 March 2023.

³ As at 22 May 2023.

⁴ Including signed leases and MOUs.

JUNE 2023 PRELIMINARY UNAUDITED PORTFOLIO VALUATION

In accordance with the stated valuation policy of HDN, preliminary unaudited valuations for all 58⁵ owned properties in the portfolio have been completed. This comprised 30 independent valuations representing >50% of the properties by number with the remaining 28 properties completed by internal valuation.

The preliminary unaudited portfolio valuation, which remains subject to year-end audit, has decreased by \$29m million (-0.6%) to \$4,750 million (vs. 31 December 2022). Net of capital expenditure incurred during the period of \$44 million, this represents a net valuation decrease of \$73 million (-1.5%).

Preliminary unaudited portfolio valuation	Independent valuations	Internal valuation	Total	Portfolio WACR (%)
# properties	30	28	58	
31 December 2022 valuation⁶	\$2,387m	\$2,392m	\$4,779m	5.35%
Capital expenditure	\$23m	\$21m	\$44m	
Net valuation increase / (decrease)	\$4m	(\$78m)	(\$73m)	
30 June 2023 valuation	\$2,415m	\$2,335m	\$4,750m	5.48%
Gross increase / (decrease)	1.2%	(2.4%)	(0.6%)	
Net increase / (decrease)	0.2%	(3.2%)	(1.5%)	

OPERATIONAL METRICS

Operational metrics remain robust with foot traffic in the March quarter up 4% and annualised foot traffic remaining >20% higher than 2019 pre-pandemic levels.

Operational metrics ⁷	1H FY23	3Q FY23
Supermarket MAT growth (%)	+2.7% ⁸	+3.4% ⁹
MAT growth (ex. Supermarkets) (%)	+9.6% ⁸	+7.1% ⁹
Leasing spreads (%) ¹⁰	+5.9%	>6.0% ¹¹
Occupancy (%) ¹²	>99%	>99%
Cash collections (%)	>99%	>99%

⁵ Includes McGraths Hill and Menai which are equity accounted.

⁶ Includes contracted net acquisitions and divestments in 2H FY23.

⁷ All metrics include McGraths Hill on a 100% basis (25.3% owned by HDN) and exclude Menai and ROU assets at Parafield and Caringbah.

⁸ Relates to tenants trading for more than 24 months. Moving Annual Turnover for the year ended 31-Dec-22 versus Moving Annual Turnover for the year ended 31-Dec-21.

⁹ Relates to tenants trading for more than 24 months. Moving Annual Turnover for the 12 months ended 31-Mar-23 versus Moving Annual Turnover for the 12 months ended 31-Mar-22.

¹⁰ For new leases and renewals.

¹¹ For the period 1 July 2022 to 31 March 2023.

¹² By GLA and includes rental guarantees. Excludes land parcels.

DEVELOPMENT UPDATE

HDN is well progressed on the construction of the >\$80m of FY23 commencements. Each of the projects are 100% pre-committed¹³ and remain on budget.

- **HomeCo South Nowra, NSW** opened on-time and on-budget in March 2023 fully leased. The project included repurposing >11,000m² of ex-Masters GLA and introducing leading national leisure & lifestyle retailers. The project achieved an ungeared ROIC of >8%.
- **HomeCo Glenmore Park, NSW** health & services precinct is on track to reach practical completion in 1H FY24 and is 100% pre-committed¹³. The development will add ~2,400m² of GLA to the existing daily needs town centre and will be anchored by government services, health and wellness tenants. Demolition works are complete, with infrastructure and in ground service installations progressing. Construction of the new building structure is anticipated to commence over the coming weeks.
- **HomeCo Mackay, QLD** is on track to reach practical completion in March 2024 and is 100% pre-committed¹³. Leading national leisure & lifestyle retailers including Anaconda, Spotlight and Pet Stock will anchor the extension and complement the existing >14,000m² large format retail centre. Earthworks have commenced which will deliver an incremental ~8,000m² of GLA.
- **HomeCo Cranbourne, VIC** is on track to reach practical completion in August 2023 and is 100% pre-committed¹³. The centre expansion will result in an incremental ~2,700m² of GLA leased to leading national retailers Baby Bunting & Beacon Lighting. External structural works are complete with services installation and internal construction progressing.
- **Gregory Hills Home, NSW** is scheduled to reach practical completion in 2H FY24 and is 100% pre-committed¹³. Construction of the new LFR Pad site will deliver an incremental ~2,000m² of GLA to the existing large format retail centre.
- **HomeCo Toowoomba, QLD** is scheduled to reach practical completion in 2H FY24 and is 100% pre-committed¹³. Construction of the new childcare centre will add an incremental ~1,500m² to the existing daily needs centre.

PROGRESS AT GLENMORE PARK HEALTH, WELLNESS & DAILY NEEDS EXPANSION



¹³ Including signed leases and MOUs.

PROGRESS AT CRANBOURNE LFR EXPANSION



JUNE 2023 QUARTER DISTRIBUTION DECLARATION

HMC Funds Management Limited as Responsible Entity of HDN has declared the quarterly distribution for the period 1 April 2023 to 30 June 2023 of 2.075 cents per unit taking the full-year FY23 distribution to 8.30 cents per unit.

The distribution is consistent with guidance provided in HDN's 1H FY23 results. The Distribution Reinvestment Plan is activated for this quarter with no discount.

The key dates and details for the June 2023 distribution are:

Event	Date
Distribution amount	2.075 cents per unit
Ex-distribution date	29 June 2023
Record date	30 June 2023
Last date to elect to participate in DRP	3 July 2023
Payment date and despatch of statements	On or about 30 August 2023
VWAP Period	4 July 2023 to 10 July 2023
DRP Price Announcement	11 July 2023
Discount	Nil

This announcement is approved for release by the Board of the Responsible Entity.

For further information please contact:

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About HomeCo Daily Needs REIT

HomeCo Daily Needs REIT (HDN) is an Australian Real Estate Investment Trust listed on the ASX with a mandate to invest in convenience-based assets across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. HDN aims to provide unitholders with consistent and growing distributions.

HDN is Australia's leading daily needs REIT with a combined asset size of approximately \$4.8bn spanning approximately 2.5 million square metres of land in Australia's leading metropolitan growth corridors of Sydney, Melbourne, Brisbane, Perth and Adelaide. HDN is also a strategic investor in the Last Mile Logistics (LML) unlisted fund, a complementary mandate which targets core plus transition assets with upside via repositioning into essential last mile real estate infrastructure.

Important Notice - Forward-Looking Statements

This announcement contains certain forward-looking statements, which may include indications of, and guidance on, future earnings and financial position and performance. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of HomeCo Daily Needs REIT. Actual results, performance or achievements may differ materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based.

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