

# **BARTECARD** HOUSE

121 SCARBOROUGH STREET, SOUTHPORT

PEAK EQUITIES



Peak Equities Pty Ltd  
ABN 211 658 275 74  
Holder of AFS Licence 458013  
Suite 625, 1 Queens Road Melbourne Vic 3004



## The Offer

Peak Equities Pty Ltd invites interested parties to participate in our newest Syndication.

Bartercard House, at 121 Scarborough Street, Southport, on Queensland's Gold Coast, has been purchased for \$11,600,000. We are seeking to raise between \$5.8 million and \$6.2 million in equity capital, with the remainder financed by non-recourse borrowings from one of the major Australian banks.

The equity capital will be applied, in part, towards tenancy fit-out works to accommodate the new government tenant (see below) and to allow for associated incentive payments. These outlays have been incorporated into our forecasts and calculations of likely returns.

Peak Equities Pty Ltd, ACN 165 827 574 ("Peak") is the holder of AFS License 458013, pursuant to which it is entitled to issue units to qualifying "wholesale" investors.

Investors will be allotted Ordinary Units of \$1,000 each in the capital of the Peak 151 Unit Trust, which has purchased the Bartercard House property. Applications must be for a minimum of 100 Ordinary Units (\$100,000) and must be made on the Trust's specified Application Form, which is available to intending investors upon request.

## Key Investment Attributes

Bartercard House is considered to be a high quality, secure investment opportunity for qualifying investors. Key attributes of the investment are:

- Fully leased with approximately 95% of net lettable area leased to AAA tenants - Queensland State Government and Bartercard Limited, a subsidiary of an ASX listed company;
- Well purchased at a passing yield of 8.63% on a fully leased basis, with an average lease expiry of approximately 8 years;
- First-class location - strategic corner site on the main street in Southport, Gold Coast's CBD;
- Underlying land value with future residential development potential under the Southport (Priority Development Area) PDA;
- A well-presented building, built to a high standard and recently refurbished with upgraded façade and improvements to the elevator and air conditioning plant;
- Guaranteed liquidity to investors after 6 years; and
- Multiple exit strategies including sale to developer, standard sale or strata sell down.



## Syndicate Term

The expected life of the Syndicate is between 6 and 7 years. If market conditions are considered favourable, the Trustee may, at its discretion, offer the property for sale to the public.

If the property has not been sold before February 2023, a meeting of Unitholders will be convened to determine, by simple majority, whether to continue to hold the property for a further period, and thereby to extend the life of the Syndicate.

**Investors will be guaranteed liquidity after 6 years.** Notwithstanding that the property may not yet have been sold by February 2022, any investor wishing to exit the investment may require the Trustee to redeem part or all of their Ordinary Units at fair market value.

Whilst Peak does guarantee liquidity within the initial 6 year period, it will, if requested by a Unitholder, make every effort to arrange for the sale of that Unitholder's units at fair value. Past experience suggests that, if the investment is performing to expectations, an informal market is usually available to accommodate any exceptional circumstances of individual investors.

## Distribution Policy

The net income from the investment is forecast to average around 11% per annum over the forecast 7-year holding term. Quarterly income distributions will be made within 14 days of the end of each quarter. The initial rate of distribution will be 9.6% per annum.

Income distributions will be tax-advantaged as a result of substantial depreciation claims relating to the buildings and other improvements on the property. Expert quantity surveyors will be engaged to calculate the maximum depreciation entitlements of the Trust.

Any surplus income will be set aside as a reserve against any unforeseen vacancies or capital expenditure.

## Lease Summaries

	Lease Start	Reviews	Lease End	Option Period	Annual Increase	NLA - sq.mtrs
Bartercard	1-Jan-14	1-Jan	31-Dec-23	N/A	3.50%	2,153
Senior Legal	1-Sep-13	1-Sep	31-Aug-16	3+3	3%	89
PRD Nationwide	1-Jan-13	1-Jan	31-Dec-17	5	3%	79
Government Tenant	1-Feb-16	1-Feb	31-Jan-24	3+3	3%	840



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## Tenant Details

**Bartercard Limited** – The major tenant, which has been in occupancy since the building was constructed in 1999, providing a strong covenant with eight years remaining on their lease. Bartercard is a barter trading exchange founded in 1991. The company operates in seven countries including Australia, New Zealand, United Kingdom, United States, Thailand, UAE and Cyprus. In 2014, Bartercard's parent company successfully floated on the ASX.

**Queensland State Government** – A Heads of Agreement has been entered into with the Queensland Department of Housing and Public Works, who have offered to lease the entire available (formerly vacant) ground floor area of approximately 840 sq. metres, commencing in February 2016. The initial lease term is 8 years, with two further option periods.

**Senior Legal Lawyers** is a local, well-established legal firm, which has recently indicated a willingness to enter into a new 5-year lease for an area of approximately 93 sq. metres.

**PRD Nationwide** is the Southport franchise office of a major national real estate organisation. The tenant occupies a small (79 sq. metres) area and is well-established in the building.

Both major tenants have agreed to the inclusion of a 'Demolition Clause' in their respective leases, permitting the Lessor to avoid the option periods if it is decided to sell the property as a development site.

## Australia's Gold Coast and the Southport Area

After a period of slow growth since the 2009 GFC, development and commercial activity on the Gold Coast is rapidly gaining momentum, with improved market conditions and commercial rental uptake over the past 12 – 24 months. Significant stimulants are the recently constructed University Hospital, the \$1.2b Light Rail transport, renewed resort development and the substantial development in preparation for the 2018 Commonwealth Games.

Other Major Projects include:

- Extension of the G:Link Light Rail
- Gold Coast Chinatown
- Broadwater Parklands Stage 3
- Gold Coast Aquatic Centre
- Nerang Mall Upgrade

Southport is the Gold Coast's Central Business District (CBD), and has played a pivotal role on the Gold Coast and in South East Queensland for more than a century. It was one of the first coastal resort towns in the region, later becoming the administrative and commercial centre of the Gold Coast.

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The Gold Coast City Council is working to revitalise the CBD as a dynamic and vibrant urban centre that will position the Gold Coast as a globally competitive business, investment and lifestyle destination. A number of significant projects are already underway from both the government and the private sector.

## **Southport Priority Development Area (PDA)**

The Council has identified and zoned key areas of Southport as a PDA, which is an integral element in Council's plans to revitalise Southport as the Gold Coast's CBD. The PDA status removes development barriers, boosts investment opportunities and facilitates economic development. The Southport PDA Development Scheme guides planning and development of Southport as the definitive centre for commerce.

In practice the approval of development for the site will be assessed by a specially formed Council Division located within Southport itself. This team will be dedicated to the provision of expedient approvals, removing the usual bureaucracy and no requirement for either third party comment or referral agencies.

The designated major projects are expected to provide the foundation to support future development and deliver sophisticated transportation links, high-tech knowledge hubs, vibrant multi-cultural precincts and world-class sporting infrastructure.

## **Gearing Strategy**

The Trustee will seek competitive offers from major banks for an interest-only first mortgage loan representing 65% of the contract price of the property. The borrowings will be structured on a strictly "non-recourse" basis to investors.

Indicative offers from our bankers suggest that interest rates will be in the order of 4.1% per annum. We have adopted this interest rate in our financial analysis of the investment opportunity.

Pursuant to the Unitholders Deed, which sets out the terms of the relationships between Unitholders and the Trustee, total borrowings of the Trust may not exceed in aggregate 65% of the Real Property Value.

## **Legal Structure**

Investors will be issued with Ordinary Units in the Capital of the Peak 151 Unit Trust ("the Trust"). Each Ordinary Unit will have an issue price of \$1,000. The terms of the Trust are set out in the Trust Deed dated.

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The initial Unitholder of the Trust is an entity associated with Mr. Tom Borsky, managing director of Peak Equities Pty Ltd. The initial unitholder has been allotted 120 Founder Units and 120 Capital Units in the Trust. The Founder Unitholder will be entitled to a fixed share of 5% of the income and capital of the Trust, and the Capital Unitholder will be entitled to 20% of any Capital Profit upon the sale of the subject property or the winding up of the Trust.

Peak Equities Pty Ltd as Trustee of the Trust ("Peak"), has entered into a Management Deed with Peak Equities Management Pty Ltd, ("PEM"), governing the rights and obligations of PEM in its capacity as Manager of the property Syndicate. Pursuant to that Deed, all management responsibilities have been delegated to PEM. Peak and PEM are associated entities.

Peak has also entered into a Unitholders Deed, setting out the terms of the relationship between investors. The terms of that Deed are supplemental to the Trust Deed of the Trust.

Participating investors will be provided with a copy of the Trust Deed, Management Deed and unitholders Deed for their records. Prior to the allotment of Ordinary Units in the Trust, each investor will be required to sign a Deed of Accession, pursuant to which they accept the terms of the Trust Deed and the Unitholders Deed.

## Risks

Potential Investors should be aware of the following attributes of an investment in the Fund:

- Units in the Fund are illiquid, in that they may not be readily saleable, and may be converted to cash only when the developed lots are sold or when otherwise provided in the Unitholders Deed.
- The Manager has no obligation to purchase or redeem Units during the first 6 years of the life of the Syndicate. There is no established secondary market for Units and transfers may only be effected in accordance with the Constitution
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Whilst the revenue forecasts provided in this Information Memorandum have been carefully formulated based on current market conditions and reasonable assessment of future conditions, unforeseen or uncontrollable circumstances may arise during the term of the Fund which adversely affect the projected income streams and/or future capital values. There is no guarantee the financial forecasts in this IM will be achieved and Investors may suffer losses.

There are a number of risk factors which could impact on the projected income, the tax effectiveness of any distributions, and the return of capital or capital growth.

An investment of this nature carries a certain level of commercial risk, and the performance of the Fund may be affected by a number of factors, many of which are outside the control of the Manager. Some of the significant risks and the way the Manager aims to manage those risks are set out in the sections below. Please note the Manager cannot eliminate all risks and cannot promise that the way it manages them will always be successful.

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### ***Property risks***

All property investment by its nature involves risk, and an investment in the Fund is no different. The Manager cannot guarantee that the Fund will generate profits on the development and sale of residential lots in the Project. The value of the Property may fall and there is no guarantee that distributions will be made at the levels forecast.

### ***Insurance risks***

The Manager will insure the Property; however, the circumstances of a particular loss or the specific provisions of the insurance policy may preclude a claim being accepted by the insurer. Additionally, there is a risk that the insurance money received may not be adequate to compensate the Fund.

### ***Forecasting risks***

The Manager does not guarantee the indicated earnings and rate of distribution set out in this IM. Investors should make their own reasonable enquiries and form an independent opinion of the feasibility of the Project and the future performance of the Fund. The forecast financial information has been derived from financial models which have been developed by the Manager. There is a risk that the models may not accurately predict future distributions available from the Fund because one or more assumptions prove to be incorrect. Assumptions are generally only a best estimate at a point in time.

### ***Borrowing risks***

It is intended to partially fund the purchase of the property with debt and the Manager has received an indicative offer for finance from both CBA and NAB to provide a loan facility. Whilst an indicative offer has been obtained there is no guarantee the debt funding will ultimately be made available by the bank. The Manager will be required to meet various conditions before the funding can be drawn down. If the debt funding is not provided the Manager will need to seek an alternative lender and/or raise additional equity.

Debt funding will be secured against the Property, with no recourse to investors. A default under the loan documents may lead to the financier exercising its security and selling the Property for a price lower than that which might have been achieved in normal circumstances. This may have a negative impact on the performance of the Fund and potentially a loss of capital.

### ***Interest rate risk***

The Fund will be exposed to interest rate movements on any variable rate borrowings that it has. Increases in interest rates could have the effect of reducing the availability or increasing the cost of finance for the Fund.

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### ***General Economic Risks***

These relate to the overall risk of a broad range of investments. The returns on all commercial investments are affected by various economic factors including changes in interest rates, exchange rates, inflation and the general state of the economy.

### ***Regulation and taxation risks***

Changes in Federal and/or State government policy or legislation, including in relation to taxation and stamp duty may adversely affect the Fund or Investors. The effects of tax may vary depending on the status of Investors, but may affect the accessibility of income, the deductibility of expenses, and the treatment of Fund income or impose additional expenses on the Fund.

### **Disclaimer**

All statements and comments contained in this Information Memorandum have been made in good faith and in the belief that they are true and not misleading in any material manner. Nonetheless, neither Peak nor its officers and employees warrants that the information is complete and accurate in every particular.

As wholesale or sophisticated investors, interested parties should not rely on the contents of this IM and should form an independent view of the suitability of this investment for their circumstances. It is strongly recommended that Investors obtain independent financial and legal advice.