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# RECU

**Real Estate Capital Partners  
USA Property Trust**

**2010 Annual Results  
Presentation**

**31 August 2010**

# Agenda

- Results Highlights
- Portfolio Update
- Capital Management
- Record Realty Acquisition
- Appendix





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# Results Highlights

## FY10 Income Statement

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### ■ Key metrics

		June 2010	June 2009
Statutory Profit/(Loss)	A\$ million	(6.2)	(43.4)
Operating Income*	A\$ million	6.6	9.4
Net Property Income	US\$ million	21.0	23.1
Net Property Income	A\$ million	23.8	31.0
Operating Income per unit	A\$ cents	2.4	4.6
Distributions per unit	A\$ cents	3.0	6.0
FX Rate	AUD/USD	\$0.8824	\$0.7474

*\*excluding tax expense/benefit, non-cash items and non-recurring items – see Appendix for reconciliation to statutory profit/(loss)*

### ■ Financial results for 12 months to 30 June 2010

- Statutory loss of \$6.2 million
- Operating income of \$6.6 million and net property income of \$23.8 million
  - Reduction in earnings and net property income caused by increase in portfolio vacancy and strengthening of Australian dollar against US dollar by 18% during the financial year.
- Distribution of 3.0 cents per unit paid or payable for FY2010

# Results Highlights

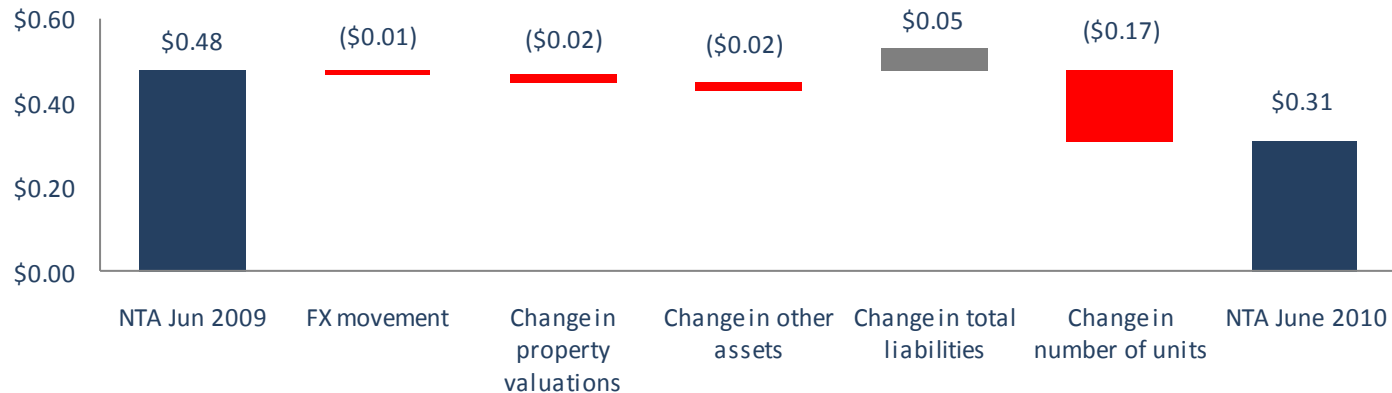
## FY10 Balance Sheet

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### ■ Key metrics

		30 June 2010	30 June 2009
Investment Properties	US\$ million	263.6	268.7
Net Tangible Assets (NTA)	A\$ cents per unit	0.31	0.48
Units on Issue	Million	302.3	203.5
FX Rate	AUD/USD	\$0.8408	\$0.8064
Gearing	Debt/Total Assets	69.3%	71.3%

### ■ NTA movement



➤ Significant part of NTA decline due to equity raising in September/October 2009.



# Portfolio Update

## Valuations

- Portfolio valuation summary

Property	Valuation June 2010 (US\$ million)	Valuation June 2009 (US\$ million)	change (%)	Cap Rate June 2010 (%)	Cap Rate change from June 2009 (%)
Derry Meadows	22.3	24.5	(9.0)	8.61	(0.39)
Parsippany	54.8	53.8	+1.9	8.00	+0.25
One Centennial	31.5	35.3	(10.8)	7.50	--
Higgins	16.0	17.1	(6.4)	8.75	+0.25
Bedford Woods	97.5	94.9	+2.7	7.50	(1.00)
Montgomery	24.1	24.1	--	8.00	--
Pfingsten	17.5	19.0	(7.9)	8.25	+0.25
<b>Total / Weighted Average</b>	<b>263.6</b>	<b>268.7</b>	<b>(1.9)</b>	<b>7.87</b>	<b>+0.31</b>

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# Portfolio Update

## Valuations (continued)

- At 30 June 2010, all properties in portfolio (except Derry Meadows which is currently being marketed for sale) were externally valued.
- Decline in valuation of US\$5.1 million (1.9%) over 12 months to 30 June 2010
  - Primarily driven by decline in value of One Centennial caused by increased vacancy;
  - Decline partially offset by:
    - Leasing activity within portfolio;
    - Increase in value of Bedford Woods due to tightening in cap rate of asset.
- Despite overall decline in portfolio valuation, weighted average portfolio cap rate improved from 8.18% at 30 June 2009 to 7.87% at 30 June 2010.



# Portfolio Update

## Key Metrics and Leasing Highlights

### ■ Key metrics as at 30 June 2010

- Leased (by area) 88.7% (2009: 94.9%)
- Weighted Average Lease Expiry 6.8 years (2009: 6.3 years)

### ■ Leasing results and initiatives during 12 months to 30 June 2010

- Entered into eight new leases, major deals being:
  - Johnson & Johnson for 49,000 sqft at One Centennial (3.5% of total GLA);
  - New 35,000 sqft lease to Flagship cinemas at Derry Meadows (2.5% of total GLA);
  - New seven year term for 19,000 sqft at 1700 Higgins to Chicago Sweeteners (1.3% of total GLA).
- Committed leasing and rental incentives of US\$1.4 million.





# Portfolio Update

## Key Metrics and Leasing Highlights (continued)

- Asset strategies developed around both leasing and capital works, resulting in strengthening of underlying long term income stream for portfolio. These ongoing strategies work in conjunction with changing market conditions.
- Capital works program
  - Some upgrade works completed, such as for Pfingsten. Positive benefit from these works, with greater interest from new tenants and successful retention of some existing tenants in these assets;
  - Ongoing capital works program in connection with new lease commitments negotiated during the period;
  - Upgrade works currently underway on One Centennial to improve building amenities to attract further tenant interest to fill unoccupied space.



# Portfolio Update

## Asset Management

### ■ Active asset sales program

#### ➤ Derry Meadows

- Asset currently being actively marketed for sale with significant buyer interest;
- ReCap in constant contact with lender throughout sale process;
- ReCap anticipates asset sale prior to debt expiry.

#### ➤ Montgomery

- Asset being prepared for marketing with broker appointments completed;
- Initial pre-marketing interest strong;
- Call for offers expected in second quarter FY2011.

#### ➤ Parsippany

- ReCap initiated discussions with lender to ensure refinancing completed prior to expiry;
- ReCap considering marketing asset for sale as alternative option.



# Capital Management Initiatives to Date

## ■ September & October 2009

- Successful capital raising of \$14.8 million through \$4.4 million placement on 4 September 2009 and \$10.4 million unit purchase plan on 14 October 2009. Latter closed oversubscribed with applications scaled back by 14.8%.

## ■ December 2009

- Completion of simplification of CBA debt facility;
- US\$12.6 million released from FX collateral and applied to CBA debt facilities on 31 December 2009. Post partial principal repayment, loan-to-value ratio (LVR) across three assets (Bedford Woods, Pfingsten and Montgomery) reduced to 64% (US\$ terms).



# Capital Management

## Initiatives to Date (continued)

- August 2010
  - CBA facility refinanced in August 2010 and extended for two years with three facilities (Bedford Woods, Pfingsten and Montgomery) combined into single facility;
  - Facility repaid to US\$75.0 million from US\$88.3 million;
  - Financial covenants: maximum LVR 60%, minimum ICR 1.75 times, minimum WALE 4.5 years;
  - Repayment funded by US\$15.0 million loan provided by Transwestern Realty Finance Partners.



# Capital Management Initiatives on Debt Expiries

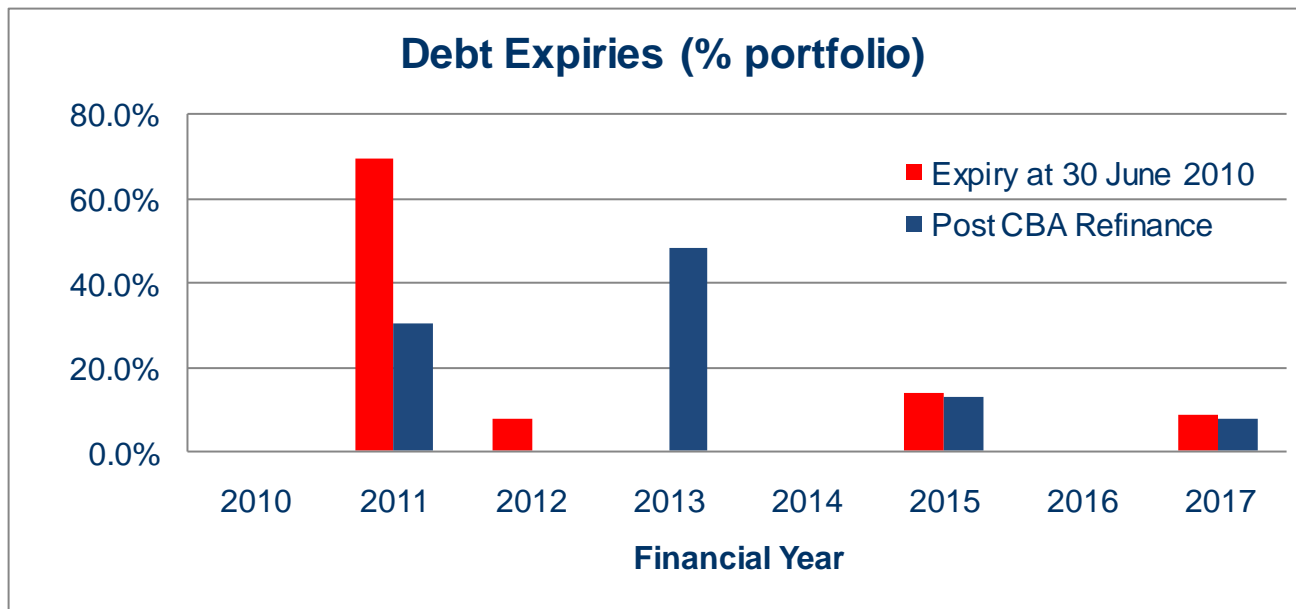
- Debt expiries in FY2011
  - US\$65.5 million in FY2011 (CMBS for Derry Meadows and Parsippany).
- Active approach to address debt expiries
  - Derry Meadows
    - Asset currently being actively marketed for sale with significant buyer interest;
    - ReCap in constant contact with lender throughout sale process;
    - ReCap anticipates asset sale prior to debt expiry.
  - Parsippany
    - ReCap initiated discussions with lender with a view to achieving refinancing prior to expiry;
    - ReCap considering marketing asset for sale as alternative option.

# Capital Management

## Debt Profile

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- Debt expiry profile



- Weighted average interest rate      5.6%      (post CBA refinance: 5.6%)
- Weighted average duration of debt      1.7 years      (post CBA refinance: 2.3 years)



## ***Record Realty Acquisition***

- On 29 January 2010, Responsible Entity for RCU entered into agreements to acquire US portfolio of RRT from receiver of Record Realty Holdings (US) Trust for A\$22.0 million.
- On 14 April 2010, Responsible Entity for RCU entered into an agreement with mezzanine lender which partly financed Record Realty Holdings (US) Trust portfolio at 10% discount to face value.
- Both agreements subject to obtaining loan change of control consents from senior lenders to three properties within portfolio, expected to be received by end of September 2010.
- RRT portfolio includes economic interest in 22 properties in US, all leased to US Government.

# Appendix

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## ■ Reconciliation of Statutory Profit/(Loss) to Operating Income

	June 2010 (A\$ million)	June 2009 (A\$ million)
<b>Operating income for the year is calculated as follows:</b>		
Statutory profit/(loss) attributable to unitholders	(6.2)	(43.4)
<i>Adjusted for non-cash items:</i>		
Straight lining of lease revenue	(0.5)	(1.3)
Unrealised FX gains and losses	(0.4)	(4.2)
Gains and losses on changes in fair value of:		
Derivatives	0.4	5.2
Investment properties	7.1	63.0
Amortisation of deferred charges	1.2	0.1
Deferred tax benefit	--	(10.0)
<i>Adjusted for non-recurring items:</i>		
Realised FX gains and losses	2.4	--
Costs associated with Record Realty acquisition	2.6	--
<b>Operating income</b>	<b>6.6</b>	<b>9.4</b>