

KordaMentha

Real Estate

A different approach to creating value
and managing risk in real estate.

kordamentha.com



We advise on, develop, transact and invest in real estate - our own, our clients' and in conjunction with investment partners.

The KordaMentha Real Estate team helps clients to grow, protect and recover value in their real estate portfolios. Whether it is developing, investing or recovering residual value from a distressed asset, we respond with creative solutions that maximise value while managing risk and the requirements of key stakeholders. We act independently and transparently to pursue results, not publicity.

Financial institutions, corporate, government and private clients rely on the depth and diversity of our real estate expertise. Our team has experience across valuations, construction and development, asset management, agency, deteriorating credits, development management, property law and investment management, enabling us to provide end-to-end solutions through the economic cycle.

How we can help you

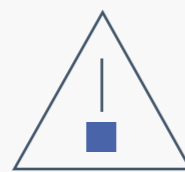
We work with clients to optimise outcomes for the real estate they invest in, lease or lend to. They trust us implicitly, expect results and hold us accountable for our actions. We typically help our clients in four key areas:



Strategic advisory

We assist clients to achieve commercial and strategically important outcomes from their real estate holdings. Our objective is to enhance the value of the properties they own and minimise the lease liability for the properties they lease.

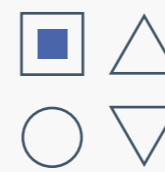
From individual properties to the macro-organisational level, our services cover strategy formulation through to implementation and execution. Combining the team's experience with deep market knowledge and calling on strong industry relationships, we provide portfolio and asset reviews, development management, asset optimisation and transaction management services that our clients trust and rely on.



Special situations

We are market leaders in advising major corporates, financiers and government clients on situations that fall outside their 'business as usual'. We have the experience and capability to critically analyse, manage and execute strategies associated with distressed and challenged real estate assets. Our team supports key stakeholders faced with deteriorating credits that can include partially complete construction projects, vacant or underperforming assets or residual stock.

We can be engaged at any stage of an asset's development and economic lifecycle, with our work usually culminating in a transaction. Since 2007, we have managed or advised on over \$26 billion of assets.



Investment management

We establish, manage, capitalise and co-invest in real estate investment opportunities through our commercial property fund manager, KM Property Funds. Supported by an Australian Financial Services License that has retail and wholesale distribution capability, we design and provide high-quality direct property investments to a range of investors, including self-managed superannuation funds, family offices, private individuals and institutions.

Our portfolio comprises eight funds and circa \$330 million of assets under management, extending across Australia and within the office, retail, industrial and alternative sectors. These offer a variety of risk and return opportunities, including high occupancy, long-leased core assets, opportunistic assets requiring repositioning and re-leasing and development assets.

We actively manage all assets to optimise investment performance and returns for our investors.



Real estate private equity

We are developers in our own right, through KM Develop, taking residential opportunities from site identification and acquisition, feasibility analysis, design and consultant management through to project delivery and settlement. We focus on developing medium density projects that target owner-occupiers, downsizers and first home buyers in metropolitan locations.

We are also an active investment partner, contributing capital to small- and mid-scale joint venture projects with respected developers. In recent years, we have invested in over 20 projects covering residential townhouses, residential apartments, strata industrial, house and land and childcare.

The realisable value of our private equity developments exceeds \$400 million.

Our experience

We are real estate professionals shaped by a high-performance culture built on trust, teamwork and execution.

Our team's diverse skillset and knowledge base across all Australian states and property subsectors gives lenders, corporates, investors and government clients confidence to turn to us for enduring solutions and unique opportunities in property.

We provide strategic advice and transact, develop, manage and invest in real estate, as well as finish partially completed projects; no matter the service provided, our sole purpose is achieving our client's objectives.



Advisory experience

Radio Rentals

Outcomes and benefits delivered

Effected a solvent wind-down of a large consumer leasing business, including:

- Extensive financial modelling and analysis to support lease store exit strategy.
- Completed a lease surrender and physical exit of a 35-store network within a 12-week timeframe.
- All leases surrendered via negotiation with landlords for a circa 20c/dollar payment of total lease liability.

Background

Given changes in consumer habits, Radio Rentals, a large national consumer leasing business, required the development and implementation of a plan to solvently wind-down the business and an orderly collection of its debtor book.

Approach

KordaMentha completed a store-by-store assessment advising the board on key market metrics to support a business case and negotiation strategy with some of Australia's largest landlords.

We then assumed the leading role in implementing the agreed plan to wind-down the business and exit the retail store network.

Arrium

Outcomes and benefits delivered

Developed and successfully implemented strategies that:

- Identified non-core property assets that were to be excluded from the broader Arrium business sale. This was achieved after conducting a highest and best use analysis.
- Formulated asset management plans on the non-core assets before managing transaction processes to sell them. This strategy increased total realisations from the Arrium business sale by more than \$100 million.
- Vacated or renegotiated terms on approximately 25 leased properties leading to rental savings of more than \$12 million per annum, or \$50 million over the remaining residual term of the leases.

Background

KordaMentha was appointed over Arrium Australia which included a property portfolio of 70 owned and 180 leased properties throughout Australia.

The property assets within the Arrium portfolio were valued at approximately \$500 million.

Historically, management of the property portfolio was substantially outsourced, and ownership and tenancy fundamentals had not been subject to rigorous review.

Approach

There were two strategic objectives we identified as being pivotal:

1. Reducing ongoing annual rental expenses without material impact to operations.
2. Identification and sale of non-core assets.

Within a limited timeframe, we reviewed the entire portfolio with a focus on understanding the use of each property, the ability to consolidate or rationalise space and market relativities. Where vacating or consolidating properties was considered appropriate, we developed commercial strategies for implementation. Where assets were identified as non-core and capable of sale, we managed relocation of business assets and all aspects of the transaction management process.

University College

Outcomes and benefits delivered

Successfully managed completion of a partially constructed building, including:

- Termination of incumbent builder and negotiation of terms with a replacement builder.
- Negotiation with project consultants and incumbent trades to return to site.
- Management of a successful mould remediation programme.
- Renegotiation of financier support and increased funding, including negotiation of covenants and milestones.

Background

University College is a student accommodation facility for 200 residents. University College had embarked on a significant capital works project to redevelop existing facilities and build additional accommodation to increase capacity to 320 residents.

During construction, several unexpected challenges were encountered, and the project eventually stalled with the builder and University College in dispute.

Approach

KordaMentha was engaged as development manager and tasked with resolving all development and construction issues to enable completion of the project and ensure University College was open for students for semester one of the university year.

A team was mobilised in key workstreams, such as cost to complete assessment, financial modelling, programme monitoring and completion strategy to allow early handover of key areas, remediation of defective work and negotiation with the builder, all trades and project consultants.

“Without exception, they have been a diligent, knowledgeable and highly effective partner; from the initial conceptual thinking, through the detailed planning, the execution and the monitoring and reporting. Their expertise and hands-on, pragmatic approach have been absolutely invaluable to us. Importantly, they have also been easy to work with. They do what they say they will do. They are collaborative, reliable, commercial and highly professional.”

Chief Executive Officer, Radio Rentals

Investment experience

Libertine

Outcomes and benefits delivered

- Successfully completed and settled a residential apartment development by:
- Re-designing and converting the existing town planning approval from 20 over-sized apartments to 34 smaller apartments better suited to the local target market. This was completed within the existing approved building envelope.
 - Pre-selling all apartments prior to construction commencement.
 - Delivering the project on time and on budget reflecting a profit margin of 23%.

Background

The 1,227 sq.m site was a former strata retail development comprising six allotments and was being sold with a town planning permit for 20 apartments over four levels.

After initially being sourced and offered 'off-market', the site later proceeded to an on-market auction campaign. The site failed to sell at auction and we subsequently negotiated to buy the site.

Approach

As developer, KordaMentha was responsible for all facets of the development from sourcing and acquiring the site through to settlement of the apartments.

Initially, the focus revolved around amending the existing town planning approval then working with a highly experienced and competent consultant team to finalise the design documentation process.

Following this, we ran a tender process to select a building contractor who was then appointed under a traditional Design and Construct contract. During construction, regular Project Control Group meetings were held and KordaMentha controlled and managed the development process through to completion.



Laverton North Property Fund

Outcomes and benefits delivered

- Successful acquisition of a cold storage facility which was:
- Completed in an off-market transaction.
 - Completed via a sale and leaseback.
 - Acquired for \$21 million in August 2019 and sold for \$42.795 million in November 2021.

Background

The property was located in Laverton North, approximately 16km west of the Melbourne CBD and comprised five contiguous titles with a gross lettable area of c. 14,750 sq.m on land of c. 3 ha.

The property was leased to Austco Polar, a subsidiary of the ASX listed Wingara Ag, with the University of Melbourne and had a weighted average lease expiry of 5.0 years at acquisition.

Approach

In accordance with our investment philosophy, a thorough 'ground-up' due diligence process was undertaken which reviewed the financial, legal, tax, building condition and tenancy profile of the property. This included the negotiation of a sale and leaseback arrangement with the vendor for a 15-year term on a triple net basis.

Upon satisfactory completion of due diligence, a single-asset closed-ended property fund was established to acquire the asset. Debt financing was negotiated with one of Australia's major trading banks and equity raised under the issuance of an Information Memorandum.

Asset management services were provided over the investment term which saw improvements in building compliance and certification and, ultimately, the sale of the property.

Rise Projects

Outcomes and benefits delivered

- The origination and formation of a successful joint venture relationship which:
- Has been operating for over three years and has completed numerous mid-scale residential and strata industrial projects with gross realisations of over \$100 million.
 - Sees KordaMentha invest equity into these projects and actively participate in the management of the investments by leveraging the team's expertise.
 - Has seen the respective complimentary, but varying, strengths of each joint venture participant used to advance outcomes for the joint venture.

Background

KordaMentha and Rise Projects entered a joint venture arrangement in 2017. The joint venture strategy was to develop multiple small to mid-scale townhouse developments in Western Sydney that focused on product with an affordable price point, in areas of demand and with limited time exposure to market.

Approach

The joint venture leverages off the respective strengths of the participants – Rise Projects as developer and builder and KordaMentha as equity provider and strategic advisor. This ensures a broad skill and experience base is actively involved in each development and that risks are appropriately identified and managed.

Following completion of six successful townhouse projects, the joint venture has further evolved to include small-medium format strata industrial developments in Western Sydney.

What makes us different?

We bring a unique perspective to our work by drawing on the privileged insights and learnings we receive through the broader KordaMentha network.

It is these insights and learnings, combined with our practical, on-the-ground experience through advising on, developing, transacting and investing in real estate, that makes our business uniquely different.



Our clarity of purpose

The diversity of our team's backgrounds, experience and technical training allows us to work through economic cycles, across geographies and within all sectors of the real estate industry.

A brand you can trust

KordaMentha's standing in the business community affords us privileged access to best practice governance and risk management frameworks.



Independence

We specialise in providing truly independent advice that is not compromised by conflicts of interest often faced by traditional integrated real estate service providers and investment houses.



Solutions formed by real insights

We invest in and develop our own real estate so have a proprietorial attitude towards risk, and the experience and insights we receive inform our actions when advising clients.



Focus on collaboration

We work seamlessly with KordaMentha's uniquely diverse business units, giving clients and investors access to the expertise and focus of 300 leading corporate advisory, M&A, restructuring and forensic experts throughout Asia-Pacific and ensuring client and investor needs receive the necessary focus and expertise they require.



Senior team engagement

We do not delegate down; our senior people lead and are closely engaged in all facets of every mandate.



Lateral thinking, clinical execution

KordaMentha's real estate team help client's most difficult challenges through creativity of thought and our implementation capability.



Proven results

Our results and success stories define us: from our work with financiers on deteriorating credits, to acquisitions and asset management, development management, transactions and supporting corporates with sensible strategic advice.



Stakeholder engagement

Effectively managing relationships between our clients, developers, financiers, key consultants and contractors ensures project delivery on time and to an exceptional standard.



Relationships are paramount

We are with you for the long term, be it advisory or as investment and development partners. We believe in building long standing and trusted relationships.



“They have demonstrated a willingness to be proactive and results-focussed on the asset management of the building, developing a trusted relationship ... I would have no hesitation in recommending KM Property Funds as a diligent, respected and trustworthy landlord who own and operate the building in a high quality and professional standard.”

Director – Space Management, University of Melbourne

Key contacts



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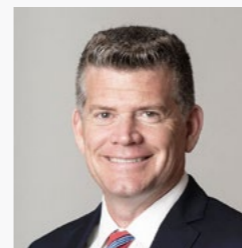
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