

## **Managing Directors Address AHC Limited Annual General Meeting 2016**

In 2016 the company undertook a comprehensive building and development program which will continue for the remainder of the year and likely into the New Year 2017.

This building program has significant benefits for shareholders as we replace one asset like Southside with a stronger asset at Parkhurst.

Due to the construction completion at Parkhurst Town Centre in mid November the company's major shopping centre assets will be re-valued and will be finalized likely in January 2017. On current trends this will see significant upside in valuation certainly for Worongary whilst Parkhurst is anticipated to be steady and improve as the centre gets into operation.

Currently there is a lack of quality neighbourhood, sub-regional and regional retail centres, being available For Sale!, as much of the stock has been sold over the course of the last 12 months, which in turn continues to enhance capital growth within each of the shopping centre sub sectors, this was reported last year however it has tightened again with record low yields.

If you are to believe the reporting of our financier the National Australia Bank they are providing evidence that yields are going to tighten even more.

There is clearly an even stronger 'weight of funds' driving pricing dynamics, particularly from overseas investors out of (China, Taiwan and Korea) chasing comparatively higher returns not available in their own markets. If you have heard this before I would agree it is more or less what we stated last year.

### **Project Status**

**Parkhurst Town Centre** – This project is now only four weeks from completion and the official opening is planned on Wednesday 16 November 2016.

Following preliminary works commencing on the site in late 2015 works commenced in earnest for the on-site works and building construction in late January 2016.

This is easily the biggest project the company has undertaken and is scheduled for completion once again on time.

Key milestones - on 21 September 2016 AHC handed over the supermarket to Woolworths for the equipment, installation and stocking phase. Once again we can be very proud of what our very small team has achieved but mostly the credibility that comes with handing over a supermarket store of more than 4000m<sup>2</sup> with minimal defects and on the first handover date.

Woolworth's representatives have commented to AHC staff that once again this is one of the better stores they have seen.

Currently specialty stores have commenced fit out phases. The centre will open up with approximately 15 leases in place including the likes – Woolworths, BWS Liquor, Lucky Charm News, Breeze Hair & Beauty, Classy nails, Helen's massage, Sushi Break, Priceline Pharmacy, CQ Doctors, 12 Rounds Fitness, Puma Fuel to name a few.

Will the centre fully leased on completion No however given the changing economic climate in Central Queensland over the last 12 months we believe it is a pleasing result. What we know is the community is busting for this centre to open to provide services to this growing and emerging community in North Rockhampton.

**Worongary Town Centre** – I am happy to say that from my report at last year's AGM all of the upgrades and improvements have been completed and implemented.

Priceline Pharmacy was added to the centre and is complete and has added vibrancy and colour to the centre, the Chinese massage therapist has opened and continues to trade well.

Of most significance is the completion of the 708m<sup>2</sup> extension including Worongary Vets, 12Rounds Fitness, Swaybar Pilates, Free Choice Tobacco.

Further expansions are finalized for the expansion of Worongary Medical Centre which will see Noble Dentures relocate over to the new extension. This will allow more services to be offered from Worongary Medical centre and in turn more foot traffic at the centre.

Noodle Box is a new addition and is currently in fit out phase in the Eat Street precinct.

This centre is in very high demand from investor groups such is the positive return that this type of centre provides.

**Howard** – At this point last year the company had lodged a development application with the Fraser Coast Regional Council for a 212 lotRV lifestyle over 50's village under the MHE – Manufactured housing estates legislation, 65 -75 bed Aged Care facility and ILU retirement village.

The site has obtained full development approval for this development and it is an exciting project to say the least. Fraser Coast Regional Council has since undertaken steps to fully sewer the Howard area and this would provide significant advantages/benefits in the long term running of the estate.

Due to current projects on foot this development has not advanced to operational works applications however it is considered that this would occur in 2017.

The manufactured housing estate model is very sought after by developers and operators and the company believes this project can offer significant returns for a long period of time.

**Drury Lane – With** full operational works approvals obtained, AHC has recently commenced earthworks only to the Drury Lane road reserve.

This was required to invoke an Infrastructure agreement between the company and Fraser Coast Regional Council which will see the council construct a culvert bridge crossing to the southern end of Drury Lane and open up greater accessibility and exposure to the industrial estate. This we believe will enhance land sales once available.

Unfortunately we are awaiting finalization of a tripartite agreement between TMR/AHC/Sanctuary Estates for the construction of the Drury Lane intersection. This came about after other developers submitted applications to undertake works on the same intersection.

It is pleasing that works even though very preliminary have commenced at Drury Lane as it has been a long time in the making.

**General Business –** 2016 has seen AHC consolidate and enhance on its existing portfolio at Worongary and Parkhurst. This has seen our small but capable team at capacity.

While interest rates have gone to all time lows demand for AHC assets have gone to all time highs.

On the completion of the Parkhurst Town Centre and the centre entering its operation phase the company will be in a better position to assess what's next however that is not to say that we do not have an eye on the future and what's best for AHC and its shareholders.

Once again AHC Limited is well placed and has a number of opportunities to consider.