

# **ANNUAL GENERAL MEETING**

## **Managing Director's Report**

**27<sup>th</sup> October 2023**

### Dundowran

As of 30 June 2023, 19 lots have sold and settled across the Dundowran Industrial Estate.

This month (October) we sold a further 2 lots in-one-line bringing the total sold to 21 lots. We are achieving no less than \$150/m<sup>2</sup> on larger lot parcels. -8089m<sup>2</sup>

We are currently marketing a small lot of 2328m<sup>2</sup> representing - \$236/m<sup>2</sup> or \$550,000. We have received offers of \$500,00 but have rejected at this rate.

We have approximately 70,000m<sup>2</sup> remaining to bring to market on Drury Lane on the east & western sides of Drury Lane that fronts Drury Lane. At current rates conservatively we believe this will represent almost \$12 million in gross sales. This will be without any uplift in square metre rates going forward.

We believe we will achieve higher rates going forward. It would be envisaged that the remaining 70,000m<sup>2</sup> would be developed in 3 stages over likely years 2024, 2025 & 2026.

Of course, we also have another approximately 123,000m<sup>2</sup> in undeveloped land to the west of Drury Lane.

Debt against this development consists of the following -:

\$300,000 to NAB

\$450,000 to Radway Pty Ltd

2023 has seen significantly subdued interest in vacant land as interest rates take a bite into the property sector. In addition, increases in building costs have simply rendered most projects unviable.

### Parkhurst

During the period to 30 June 2023, we have obtained and completed the following leasing at Parkhurst Town Centre.

Parkhurst Quality Meats – Shop expansion and new 10-year lease

Signal Tobacco – Shop relocation and new 7-year lease

The Reject Shop – Agreed terms on a 6-year lease and is currently open & trading

BWS – Agreed 5-year lease extension on 7% increase rent

Pilates Studio – New 5-year lease

VaVoom Ladies Fashion – New 5-year lease to T30/31 previously vacant space.

As of 30 June 2023, the centre had only 5 vacant tenancies totalling 321m<sup>2</sup>, our lowest vacancy since the centres opening in 2016.

Subsequent to 30 June we have struck a lease agreement with National tenant KaiserCraft further reducing the vacant space of the centre to approximately 250m<sup>2</sup>.

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We have every reason to believe that in 2024 we will obtain full occupancy at the Parkhurst Town Centre with further uplift to the centre's total valuation.

Most shareholders are aware that the company sold the recently constructed KFC addition in May 2023. The sale at \$3,895,000 was considered an exceptional result given the changing market in early 2023.

This came about from the hard work put in by the team to open the store in November 2022.

In July 2023 the Parkhurst Town Centre was revalued in accordance with our funding requirements. The centre has increased in value from \$36.4 Million in 2021 to \$42.750 million in 2023. A fantastic result when most retail property assets have taken a hit.

### Howard - Good Life RV & Lifestyle Resort

Stage 1 of the resort consisting of 43 lots has been completed and delivered by the AHC team in extremely trying conditions. Building & construction costs have continued to escalate and has seen the demise of a multitude of entities in the last 12 months.

We have 16 completed homes and occupied with site rent being paid

We have 6 further homes under construction

We have a further 6 awaiting contract awaiting construction starts

These trying conditions saw our chosen house builder Ausmar homes inform AHC Limited in approximately June 2023 that they would be withdrawing from our project and all projects in the wide bay region. Ausmar took a view that it was not a time for them to be seeking growth in such trying conditions in the marketplace.

This has meant that AHC Limited has taken back our house building and this has meant an increase in staff as well as increases in equipment and technology to gear up for this scale of project building. AHC Limited will now be undertaking all construction at Good Life RV & Lifestyle Resort.

Whilst it was always our intention to eventually takeback our building this came sooner than we would have hoped. Taking on the house building ultimately will add more profit back into the business it has been a stressful time to manage this.

We have commenced our club house facility which will only enhance the sales at the resort. The initial clubhouse will consist of Resort pool, Tennis court, Bocce court, Recreation room, Gymnasium, Sauna and change rooms etc.

This development is a magnificent achievement for a small company such as AHC Limited.

The company is currently in the early stages of seeking a material change of use development approval to change 471LU into 51 House & Land lots. These would be saleable to the open market.

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Development of these lots would bring about a quality cash stream from the sale of land and construction of houses. These would be targeted at affordable end of the market \$550,000-\$600,000 We see this as an extremely viable decision whilst the state remains in a housing crisis.

### General Business

We are facing challenging times right now as a result of sharp increases in interest rates, continuing increases in construction material costs, significant rises in wages.

Stubborn inflation is likely to cause a further increase to interest rates in the coming days. I feel we can be proud that we are weathering a perfect storm happening right now.

A positive for AHC is the continuing growth in land lease communities due to our ageing population amid the will to downsize and enjoy a lifestyle not seen by the ageing in previous years.

Another positive is the improvement in leasing at our Parkhurst Town Centre and the increase in valuation, all off the back of our small team's work.

### *Land Lease Communities*

Stockland have taken out Halcyon in recent times for \$650million

Mirvac has just announced it will take out Serenitas Lifestyle communities for \$1billion. This will settle in the 3rd quarter of 2024. Serenitas we know well in the Hervey Bay community owning 4 sites.

Ingenia purchased Sea Change a short time back.

If we can maintain some momentum at the Dundowran Industrial Estate and at the Good Life RV & Lifestyle Resort I see likely provision of a modest dividend in 2024.

I would like to foresee an interim dividend but we will have to wait and see how economic conditions improve or decline over the next 6 months.

Global conditions will no doubt play a role in the improvement or decline.

We have no immediate plans to acquire any new projects within the next 12 months.