



ASX ANNOUNCEMENT

27 February 2015

REAL ESTATE CAPITAL PARTNERS USA PROPERTY TRUST

ASX CODE: RCU

ARSN 114 494 503

INTERIM RESULTS 31 DECEMBER 2014

Quattro RE Limited (ACN 115 913 810) (**Responsible Entity**) as the responsible entity of RCU announces the results for the six months to 31 December 2014.

Highlights

- Net profit of \$354,000 (31 Dec 13: \$2,939,000);
- Earnings per unit of 2.88 cents (31 Dec 13: 25.48 cents);
- The previous net profit was positively impacted by a one off debt modification gain and fair value movements of investment property;
- Net tangible assets per unit of \$0.49, an increase of 16.7% on 30 June 2014 of \$0.42
- Positively leveraged to an improving US economy and appreciating US\$

Portfolio

Since the end of the last reporting period the Responsible Entity has continued with the strategy of minimising overhead costs, refurbishing and repositioning the Higgins Chicago asset ("Higgins") and assessing opportunities and strategies to close the gap between the Trusts trading price and its Net Tangible Asset backing per unit (NTA).

Higgins

The strategy to re-position the asset will provide a more modern and updated office building which will have the following benefits:

- Make the asset more attractive to both current tenants and prospective tenants by offering a higher standard of accommodation in an improved environment.
- Enable higher rents to be sought for the building
- Increase leasing velocity thereby leading to higher occupancy
- Strengthen the cash flow of the asset
- Improve the value of the asset and thereby the Trusts NTA

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The refurbishment works have been ongoing during the period and are advanced with the costs being borne from existing reserves of the consolidated entity held by the lender. The works are due to be completed in March 2015 and an active leasing programme is now being implemented. The building has a net lettable area of 135,151 sqft of which 63,336sqft (47%) is currently leased. A number of existing tenants have already committed to extended leases based on the planned refurbishment works whilst leasing enquiry on the building has increased significantly as the refurbishment is close to completion and prospective tenants can see the building improvements.

The US economy and office markets continue to show signs of improvement. The overall vacancy rate in the O'Hare office market (where Higgins is located) continues to decrease with net absorption in the third quarter of 2014 being the highest since the fourth quarter of 2011. All this bodes well for the successful execution of the Higgins strategy.

Foreign exchange

During the course of the period the A\$ depreciated against the US\$ from a spot rate of \$0.9420 at 30 June 2014 to a spot rate of \$0.8202 at 31 December 2014. This movement had a positive impact on the Trusts NTA which increased 16.7% from \$0.42 at 30 June 2014 to \$0.49 at 31 December 2014.

With the A\$/US\$ spot exchange currently below \$0.80 and expected to remain at these lower levels in the foreseeable future the Trusts NTA and earnings should continue to benefit from a lower and depreciating A\$ over the course of the year.

Operations

The Responsible Entity continues to monitor and actively manage the operating costs of the Trust so that they reflect the reduced asset base of the Trust. Operating expenses have decreased materially since the previous corresponding period.

The Responsible Entity is conscious of the current discount that exists between the Trusts NTA and its recent trading price, as well as its cash position and short term cash flow requirements. The Responsible Entity will continue to review options and assess strategies that can create value to Unitholders by closing the gap that exists between the Trusts NTA and its trading price, whilst actively reviewing and considering its short term cash flow requirements

For more information, please contact the Responsible Entity:

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