



## ASX ANNOUNCEMENT

19 June 2015

**REAL ESTATE CAPITAL PARTNERS USA PROPERTY TRUST**

**ASX CODE: RCU**

**ARSN 114 494 503**

### **Fund update**

Quattro RE Limited (**Responsible Entity**) the Responsible Entity of RCU provides the following Fund Update.

#### **Higgins renovation and releasing programs**

The renovation of the Higgins Chicago asset ("Higgins") was completed on 19 May 2015 and was followed up by an official launch of the releasing program with the appointed leasing broker. The renovation, which included upgrades and enhancements to the lobby, corridors, elevators, restrooms and café, was complemented by the addition of a conference centre. Management is also currently assessing the potential to provide expanded parking facilities adjacent to the asset.

The renovation positions the building competitively in the O'Hare market and provides high quality accommodation and amenities to existing and prospective tenants. Current vacancy at the building sits at 71,815sft, or approximately 53% of the buildings net lettable area, with a significant level of new enquiry occurring since the official launch of the releasing program. Management believes that with the completion of the renovation works and repositioning, leasing velocity at the building should improve.

The cost of the renovation was funded through existing reserves (escrows) held by the lender with approximately \$US2.0m in reserves and escrows remaining. These reserves and escrows may be used to partially fund future letting up costs. Additional capital, over and above what is currently available in reserves and escrows, is likely to be required to successfully lease the asset to a stabilized occupancy level. The asset is being independently valued as at 30 June 2015.

#### **Refinance of Higgins loan**

Recognising the recent improvement in the overall Chicago property market, together with opportunities for additional improvement following the launch of the releasing program, Management is exploring refinance options of the current US\$ denominated loan associated with the asset and is undertaking preliminary discussions with the special servicer. The maturity date of the current loan is 1 March 2017 but can be extended to 1 March 2018.

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### **Capital management**

To date, Management has maintained its capital management strategy of minimising the issuance of new equity capital whilst the Higgins asset has been actively refurbished and repositioned.

Notwithstanding this strategy, Management are also mindful of preparing the RCU Unitholder base for the possibility of a capital raising at some stage in the future.

The Small Parcel Sales Facility (SPSF) announced on 25 March 2015, which allowed Unitholders with small holdings of RCU units the opportunity to sell their units in a simple and efficient way without brokerage, closed on 7 May 2015.

In total, Unitholders representing 874,674 units, or 7.1% of all units on issue participated in the SPSF which was a capital management strategy designed to reduce the ongoing administration costs of managing small holdings and improving the liquidity of RCU Units. A broker has been appointed to sell the units.

Management is also considering the introduction of a Unit Purchase Plan (UPP) which would allow an eligible Unitholder the opportunity to apply for up to \$15,000 of additional Units in RCU and would provide the Fund with additional working capital without diluting active Unitholders.

In addition, a number of recapitalization initiatives are currently being assessed by Management. These initiatives are in their preliminary stages and may involve the acquisition of additional assets and/ or a capital raising.

The Board of the Responsible Entity will assess any potential recapitalization initiative in light of the benefits and potential value that these initiatives may provide to Unitholders in the medium to long term, compared with the Funds trading price, discount to NTA and potential value that may be provided to Unitholders from holding the Higgins asset until stabilized in the short to medium term.

### **For more information, please contact the Responsible Entity:**

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