



LEYTON FUNDS

# CASE STUDY BLUESCOPE STEEL, ADELAIDE AIRPORT, SA

7.8%

FORECAST AVERAGE ANNUAL RETURNS AT INCEPTION

## BACKGROUND

In 2021 Leyton Funds created a single asset unit trust to secure a Leasehold interest in vacant land at Adelaide Airport and fund the development of a brand-new, state-of-the-art office, manufacturing and logistics facility, purpose built for ASX Top 50 BlueScope Steel Limited (ASX:BSL).

Through a development management agreement with a developer, Leyton Funds was able to secure the asset and long-term ground lease from Adelaide Airport before construction had commenced. The asset was purchased on a 'fund through' basis, with the early deployment of capital earning interest throughout the development phase.

The asset was acquired for a total consideration of \$25,300,000 through an equity investment from Leyton Funds' investors of \$13,620,000.



## KEY BENEFITS

- ◇ Underpinned by a 12 year lease to BlueScope Steel Limited, an ASX Top 50 company with FY22 annual revenues exceeding \$19bn.
- ◇ Brand new, fully sprinklered, high clearance industrial building with flexibility of future uses and opportunities for expansion.
- ◇ Well connected location in the Adelaide Airport Business District, in an exceptional 'last mile' logistics location
- ◇ Income growth through fixed 2.5% annual reviews throughout the full 12-year term and 30 years of lease renewal options.
- ◇ Forecast average equity returns of 7.8% (after fees and excluding capital growth) over ten years of the Investment Phase, distributions paid quarterly.





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## FUND THROUGH PROCESS EXPLAINED

By purchasing on a 'fund through' basis, the Trust was able to secure an asset which was highly sought after, and as such more difficult to acquire at best value when competing on the open market.

The 'fund through' transaction worked as follows:

- ◇ The Trust executed a Ground Lease with the Adelaide Airport for the development site as vacant land, following the satisfaction of required conditions such as planning approval and tenant lease execution. The site was made available to the Developer to undertake the development. From the date of settlement, the Developer paid interest to the Trust, which was accrued and paid to the Trust at the end of the Development Phase.
- ◇ The Developer completes the development as per the approved plans and the Trust advances the funds to pay for the development with third party verification.
- ◇ At completion of the development and handover to the tenant, a final development payment is made to the Developer by the Trust, constituting the Purchase Price, less any funds advanced for the purchase of the site or Ground Lease costs and construction.

