



Investor Update: Storehouse Residential Trust

June 2022

Storehouse Pty Limited, as fund manager of Storehouse Residential Trust (ARSN 135 812 074) (SRT or the Trust) is pleased to provide this investor update.

Dashboard

- Funds Under Management (FUM): \$20.8 million
- Unit Price
 - May 2022 \$1.13
 - The last twelve months unit prices can be located on the website storehouse-srt.com.au. Details of the value of your investment can be located on your investor portal at the registry.
- Shared equity positions: 132 residential properties
- Total property value: \$91.32 million
 - The property valuation has been determined by Storehouse based upon a combination of industry statistics for property types and locations together with selected bank valuations.

Key Highlights

SRT continues to experience substantial and steady growth in FUM with it now exceeding \$20 million compared to \$13.8 million at 30 June 2021.

The construction of one of the two tenanted properties in Sydney is now complete. A bank valuation has been carried out on the property which shows over a 50% increase over the cost of construction.

Interest Rates and Market Conditions

The past two months discussion regarding the residential property market have been dominated by increasing interest rates. The Reserve Bank has announced two rate increases totalling 1.25%pa with an expectation of further increases in the coming months.

Economists and market commentators are predicting a correction in the value of residential property markets. A recent article by Brett Thomas provides a good summary of market sentiment and commentary <https://www.realestate.com.au/news/correction-or-collapse-whats-ahead-for-the-australian-property-market/>



It is clear that the housing market is slowing down all across nation. Sales turnover and auction clearance rates are declining but at this stage housing prices are stabilising rather than showing significant declines.

Market commentary on interest rate rises often projects mortgage stress on the entire market. Australia has a very low market default rate on owner occupied properties. The market measures the rate of delinquency being 30+ days arrears as its guide to mortgage stress. Mortgage Professional Australia Magazine ¹quotes Alena Chen from Moody's investor services report that they expect this measure to rise but also point out that in the last 17 years it has not exceeded ²2% of mortgages as a national average. Home buyers who are highly geared, such as at rates of 95% loan to value, are more vulnerable to mortgage stress. The shared equity product in which the Trust is invested is designed to reduce the impact of interest rates rises by limiting the home loan to a lower 80% loan to value ratio. As fund manager we are pleased to report that there have been no defaults on the shared equity portfolio since inception.

The statement "safe as houses" is often used to reflect the lower volatility of residential property compared to alternative investments such as shares. The Australian share market is currently showing a **negative** 11.35%³ return for the past year compared to your investment in the Storehouse Residential Trust which yielded a **positive** 9.44%pa return over the period 1st July 2021 to 31 May 2022.

Storehouse, as fund manager, is of the view that the portfolio has a wide distribution of investments geographically and is well positioned for the year ahead.

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A product disclosure statement or information memorandum for the funds referred to in this document can be obtained at www.k2am.com or by contacting K2. You should consider the product disclosure statement before making a decision to acquire an interest in the fund.

¹ <https://www.mpamag.com/au/news/general/mortgage-arrears-set-to-spike-moodys/404959>

² Actual rates will vary across regions and cities.

³ Motley Fool News 22 June 2022 – <https://fool.com.au/latest-asx-200-chart-price-news>