

# Property investment and lease management

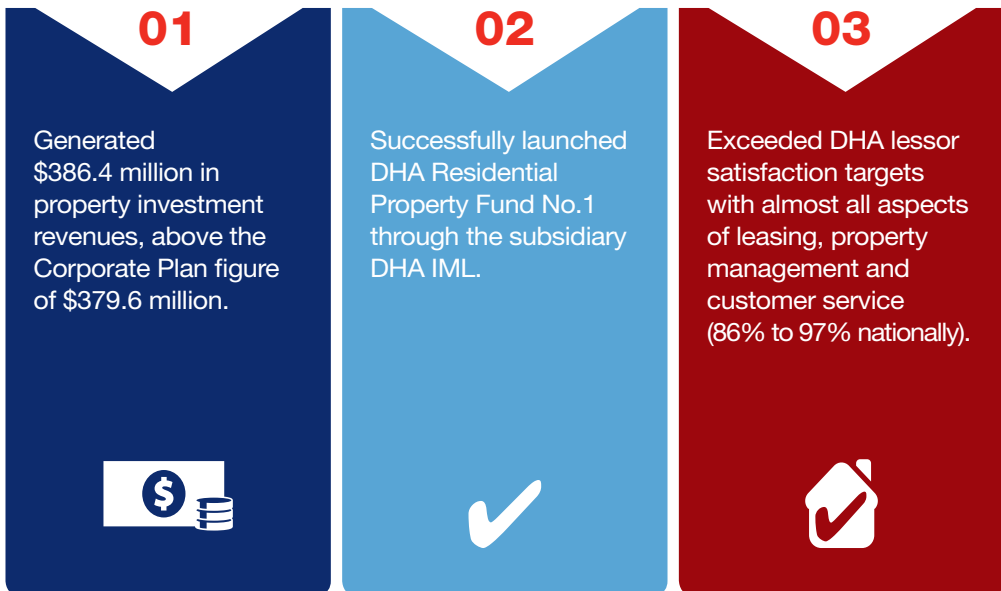
Lessor satisfaction > Promotion of sales and leasing programs



- Sustainable long-term financial structure

Key performance indicator	2013–14 target	2013–14 achievement
Lessors satisfied with overall customer service	90%	97%

## Major outcomes



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Property investment and lease management

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Generated a high number of new registrations of interest in the property investment program through a consistent multi-channel marketing campaign.



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Expanded the scope of work on sales development and partnerships to increase the client base and generate value for investors.



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Continued to foster business-to-business relationships with financial institutions and brokers, increasing property investment settlements and reinforcing DHA's reputation as a credible investment option.



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Continued to foster relationships with lessors through exclusive events, promotions and subscriptions.



08

Established a mid-lease sales program to assist investors in the sale of their DHA property during the term of the lease.



## 05 Property investment and lease management

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### Overview

Revenue generated from the sale and lease back of properties continues to be DHA's primary source of capital. Direct leasing from private owners and negotiation with lessors to renew or extend leases and undertake upgrades help to ensure that quality, well-located properties are available to Defence members and investors.

At 30 June 2014, 69% of the portfolio was managed on behalf of investors. Lessor satisfaction with almost all aspects of leasing and customer service remained consistently high (86% to 97%). Combined with positive capital and rental growth, this contributed to an increase in repeat purchases and referrals year-on-year.

During 2013–14, efforts focussed on delivering against KPIs while establishing new channels and products. Fostering of relationships and partnerships continued as well as action to increase awareness of the DHA brand. These activities helped confirm DHA's reputation in the industry as a credible investment option.

As part of a brand audit in 2013–14, research was conducted to measure brand awareness. Results showed that 62% of members of the general public had recognition of the brand with 61% of respondents being able to correctly describe services provided.

### DHA's competitive advantage

Others have attempted to emulate the DHA property investment program. However, the GBE status, Services Agreement with Defence, the security of Defence members as tenants, the standard of property delivered in accordance with Defence guidelines and the diversification of supply offered Australia-wide mean there is no comparable organisation within the property industry.

### Property investment program

Each year properties are sold to investors under a leaseback arrangement. The properties have been built or acquired in locations where housing is needed for Defence members. They meet Defence requirements in terms of rent, size, amenity, inclusions, location and proximity to Defence establishments.

Sales of properties to retail investors were strong during the year, reflecting favourable market conditions supported by low interest rates and high levels of investor confidence.

DHA settled sales on 729 properties in 2013–14, generating \$386.4 million in revenue against the Corporate Plan figure of \$379.6 million. Profit was \$22.7 million. Repeat purchases and referrals from existing lessors fell slightly to 22.1% of settlements in 2013–14, compared with 24.0% of settlements in 2012–13.

## Lease Agreement

Distinguishing features of the Lease Agreement provided to investors under the property investment program are:

- a long-term lease (typically between nine and 12 years; greater when lease extensions are exercised)
- guaranteed rental income during the lease term, with rent payable from settlement and no loss of income when Defence tenants change<sup>1</sup>
- DHA Property Care services<sup>2</sup> provided during the lease term, comprising:
  - > property and tenancy management, including periodic inspections, itemised statements and a complimentary bill paying service
  - > organising and covering the cost of most non-structural maintenance, including the repair and replacement of fixed appliances as required
  - > annual rent review to market valuation by an independent licensed valuer
  - > emergency repair to preserve the property and protect human health, safety and security as required
  - > restoration at lease-end to ensure the property is returned in good order, including professional cleaning, repainting and recarpeting.<sup>3</sup>

1 Rent subject to abatement in limited circumstances.

2 DHA Property Care services are provided during the term in return for a fixed service fee.

3 Subject to the length of the lease and the obligations of a Body Corporate or similar entity.

## Unlisted Property Fund

DHA IML is a solely-owned subsidiary of DHA and is the manager and responsible entity for the DHA Residential Property Fund No. 1 (Fund).

In late 2013, 47.1 million one-dollar units were issued, raising \$47.1 million. These funds were used to purchase a geographically diversified portfolio of 79 DHA properties valued at \$44.4 million under a sale and leaseback transaction.

Quarterly distributions attributable to unit holders for the reporting period totalled \$1,186,920 (\$0.0084 cents per unit). The value of the properties in the Fund, independently determined by registered valuers, increased by 4.3% during the reporting period.



## Lessor satisfaction

Surveys are undertaken to measure lessor satisfaction. The largest of these is the annual lessor survey that measures satisfaction with customer service, one of the KPIs, as well as aspects of property management. The results of this survey aid in improving lessor relations and product development.

The KPI for satisfaction with customer service (90%) was met nationally in 2013–14, with 1,733 (97%) of the 1,791 lessors who responded to this question reporting satisfaction. This result is similar to last year's (96%) when variations in sample sizes are taken into account.

Satisfaction with the value-for-money of the property management service fee (89% of 1,787), feedback from the periodic inspections (85% of 1,756) and the maintenance service (93% of 1,748) continued to be above the target of 80% nationally. There were no statistically significant differences when comparing 2012–13 and 2013–14 results.

In 2013–14, the majority of respondents (91% of 1,789) indicated they would recommend investing in DHA property to others and consider negotiating a new lease on expiry of their existing lease (88% of 1,786).

## Promotion of sales and leasing programs

To assist with promoting direct leasing as a way for investors to do business with DHA in 2013–14, strategic marketing campaigns were introduced to bring in leads in areas such as Sydney, Rockingham and Liverpool. These campaigns generated good leads in the short-term and potential long-term lessor contacts for the future. The campaigns assisted in more than 200 new direct leases being achieved in 2013–14.

### Website and mobile applications

In 2013–14, DHA continued to make ongoing improvements to its website. This follows the successful merging of two websites ([dha.gov.au](http://dha.gov.au) and [invest.dha.gov.au](http://invest.dha.gov.au)) into a single site.

A new 'look and feel' was applied to the website to improve accessibility and to ensure the website met the industry technical standard of *Web Content Accessibility Guidelines 3.0*. This included making the site mobile-friendly to ensure greater visibility across mobile devices.

Improvements have also been made to Online Services, the web-based portal where lessors can access details of their DHA property portfolio, including financial statements, property photos and inspection reports. These improvements have increased functionality and engagement with customers.

### Advertising and media

Most of DHA's advertising and media activity in 2013–14 focused on promoting the property investment program. Mainstream media including online, radio and press advertising were the most common channels used.

Despite high investor demand during the reporting period, a targeted advertising campaign was undertaken to maintain brand awareness and ensure future demand. Testimonial and case study advertising of investor experiences continued to be a key tool in this campaign.

In July 2013, the—*You don't have to be a Defence member to invest in Defence housing* advertising campaign was launched. It has been extremely effective in overcoming misconceptions that only Defence members could buy properties. A follow-up campaign was launched in January 2014—*Any Tom, Dick and Harry, or Jane, Mary and Susan can invest in Defence housing*—which has continued to provide positive results and contributed to enquiries.

Targeted advertising was undertaken to attract private owners to lease property to DHA in locations where it was needed. With the launch of the *BYO property* campaign in February 2014, there has been an increase in enquiries relating to this program. Email direct marketing was the channel most used for this purpose, targeting subscribers of property and investment-related publications.

Both the property investment product and BYO programs gained considerable media attention throughout the reporting period, as the security of DHA's leases continued to be recognised in comparison to other investments. Publications covering these products on multiple occasions included *Money*, *Your Investment Property* and *Smart Property Investment* magazines. Executives were also interviewed on the Sky Business Switzer Program on four separate occasions.

The 2014 NRL season is the second year of the marketing agreement with the Canberra Raiders. This agreement helps to increase brand awareness and, more specifically, promote the property investment program to a mass media audience. The agreement contributed to a high number of new registrations of interest and some settlements. This included Josh McCrone, a Canberra Raiders player, who purchased a property and provided a testimonial for advertising purposes. A one-year extension to the marketing agreement for the 2015 season was signed in 2013.

### **Property investment seminars**

During 2013–14, investment seminars continued to be hosted for prospective private investors in most capital cities and many regional centres throughout Australia. The sessions provided an overview of DHA's business, the benefits of its lease agreement and how to buy a property.

Highlights of the seminar were videos of properties and testimonials from lessors. Attendees were able to ask questions of DHA representatives and were given a comprehensive information pack. On many occasions, financial representatives were also present to take questions or to make appointments to see prospective investors.

### **Industry partnership seminars and initiatives**

During the year, initiatives through sales development and partnerships included:

- attending financial services industry conferences to build awareness of the program in the self-managed super fund and finance sectors
- meeting financial institutions to build awareness of the property investment program and its risk profile
- presenting at numerous seminars with clients of financial service firms, including Aussie Home Loans
- participating at on-base events with Defence Health and Australian Defence Credit Union to promote the program to Defence members, and
- establishing relationships with service providers to offer value insurance and lending product solutions to lessors and investors.





## Lessor exclusive events

Throughout the year, relationships continued to be fostered with lessors through seminars, exclusive events and special subscriptions and offers.

The Inside Word seminar series provided lessors with the opportunity to hear from Michael Pascoe, a well-known finance and economics commentator. Events were held in Canberra, Melbourne, Sydney and Perth on what is a 'normal' economy and how Australia (and investors) can get back to economic health. Lessors had the opportunity to network, access industry experts and speak directly with DHA staff.

Events were hosted in Sydney and Melbourne for DHA lessors and magazine subscribers to attend a presentation on current trends in the finance and investment sectors. This was also presented by Michael Pascoe.

In partnership with *Gourmet Traveller* magazine, a music and wine event was hosted at the Sydney Conservatorium of Music. Half of the attendees were DHA lessors and the remainder were magazine subscribers, seeking to learn more about the sales and leasing programs.