



**STOCKS**  
DOWN UNDER

7 SEP 2022

# ASX Property Stocks Down Under

📖 *Would you like to know how I made my money?  
What I earned, I took care of.* 📖

- Addison Jerome (1811-1864), 19th century stockbroker and financier

**MUSTERA PROPERTY GROUP**

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# MUSTERA PROPERTY GROUP

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Stocks Down Under rating: ★★★★★

ASX: MPX

Market cap: A\$41.8M

52-week range: A\$0.24 / A\$0.30

Share price: A\$0.29

Mustera Property Group is a Perth apartment developer. It has been a few months since we looked at Mustera's Western Australian peer, Finbar (ASX: FRI), and were bearish towards Finbar on the basis of the Perth apartment market. Has the market improved a few months on and are there any advantages that Mustera has over Finbar?

## Share price chart



Source: Tradingview

## Slow and steady

Mustera listed on the ASX in 2014 at 20c per share, raising a modest \$2m. At the time the company listed, it was hanging its hat on one apartment development in Perth - Lot 803, Foundry Road, Midland. In the past five years, Mustera stock has not traded below 24c (a 20% premium) and it is up 12% this year while Finbar is down 16%. This suggests it has done a few things right. Not only has it sold and settled all apartments at Lot 803, it now has a few more projects in the pipeline.

Mustera's main agenda right now is the completion of 10 Forbes Road, Applecross - the grandly named 'Forbes Residences'. Applecross is a well-appointed suburb about 10 km south of downtown Perth on the southern banks of the Swan. The Forbes Residences, towering 13 stories high and consisting mostly of 3-4 bedroom apartments, will therefore have waterway views as well as the recreational facilities onsite and easy access to public transport you'd expect from a premium development like this. A Development Application was granted in April 2020 and Mustera now has more than half of the flats sold and under contract - \$4.5m in apartment sales were registered during the June 2022 quarter alone. The estimated completion of the Forbes Residences is mid-2023.

Next on Mustera's hit list is 15 McCabe St in North Fremantle. Mustera's registered company address is actually here but it is hoping to build apartments, and potentially commercial space, on the site. Mustera believes it can obtain development approval imminently and have the development complete in 2024. Over in East Perth Mustera is working on 75 Haig Park Circle, currently leased to Wilson Parking for public parking

but, if Mustera has its way, the size of a future hotel. And finally, there's Lot 801, Helena Street, Midland, where Mustera once had development approval before that approval expired. The company is looking to obtain another DA, and is looking at alternative options for the site.

Mustera also operates an investment fund that owns Shoalwater Shopping Centre on the outskirts of Rockingham, the seaside (and mostly industrial) suburb 47 km south of downtown Perth. Shoalwater is anchored by a Super IGA supermarket. It also hosts a tavern and liquor store and sixteen specialty tenancies including a pharmacy, news agency and medical center. It is 89% occupied, has a WALE of 7.1 years and it targets distributions plus capital growth of 7.25% p.a. Not bad, and slated to get a little better now that development approval has been secured for an on-site service station.

### **What about the falling property market?**

Mustera's resilience to the troubles of the ASX property sector is impressive, but it appears more remarkable when you consider it is only exposed to the WA property market. It is commonly said that land is the only appreciating asset, but it is not always the case over in the West. The resources booms and busts shift prices substantially – the last bust between 2011 and 2016 led to prices falling 15-30%. As we observed earlier this year, Perth's apartment market has lagged the rest of the country. In the 12 months to 31 March 2022, unit prices grew 5.6% while the national average was 11.4%.

Currently, national house prices are falling as interest rates rise and while WA has lagged Sydney and Melbourne, the effects are starting to be seen. Perth housing prices actually did rise in the June quarter (by 2.1%) but in the month of August, the market began flattening out. Also bear in mind, CPI inflation in Perth is actually the highest of any capital city, at 7.4% compared to 6.1% in Melbourne and 5.3% in Sydney. And it is anyone's guess as to when the RBA will ease monetary policy, or just stop tightening.

### **Our verdict – classy, like the Forbes Residences**

In the end we are prepared to back Mustera, unlike Finbar (ASX:FRI), for two reasons. The first, is that it is building higher-end apartments, in the Forbes Residences, and we think these will be more resilient to price decreases. If we look at Sydney, which is a guide for what could happen to Perth in the coming months, higher-end suburbs are less likely to be impacted. This is because they target higher net worth buyers who won't be affected as significantly by higher interest rates and consequential increased repayments. Secondly, it is not as reliant as Finbar was on foreign buyers. The 7% foreign buyer duty, introduced immediately prior to the pandemic, has had an impact on Finbar but not on Mustera.

We do admit that Mustera isn't yet profitable (recording a loss of over \$2m in FY21), but it has more than enough cash to see it through more than 2 years. By this time, it should have sold plenty more of the Forbes apartments. Sure, it is not beyond the realm of possibility that Mustera could be impacted by construction and supply chain issues or delayed DAs for other projects. But, looking through these relatively short term issues, we still think Mustera is a four-star stock.

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