

# Centuria

Quarterly Fund Update  
June 2019

## Centuria Sandgate Road Fund

(ARSN 618 152 702)

### Key Points

- FY20 distributions are forecast to increase from 7.00 cents per unit to 7.25 cents per unit
- Queensland economy shows signs of recovery with growth above the national average
- The Brisbane Fringe vacancy rate is lower than the CBD

### Fund Summary

Distributions for the Centuria Sandgate Road Fund (Fund) remain at 7.00 cents per unit (annualised) for the June 2019 quarter, which is in line with the forecast for FY19. The corresponding distribution statement for the Fund is enclosed with this report and can also be accessed from our online investor portal at [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au).

According to Savills Research, the Queensland economy continues to show strong signs of recovery with economic growth for the state recorded at 3.2% over the year to September 2018, which is above the national average of 2.8%. A resurgence in the mining sector, combined with improving consumer and business sentiment has seen white collar job advertisements increase by 9.0% over 12 months to December 2018. These indicators hopefully all point to a recovery in leasing demand in not only Brisbane's CBD but also in the Fringe office market as well.

In the year to December 2018, nearly 40,000 sqm of stock was withdrawn from Brisbane's Fringe markets for conversion to retail, residential and student accommodation. However, we will see approximately 35,000 sqm of space coming into the market during 2019 due to the completion of 100-108 Alfred Street, which is currently under construction.

With availability of more affordable options in rejuvenated precincts (particularly in the Urban Renewal precinct), the overall vacancy rate in Brisbane's Fringe market sits below the CBD at 14.8%. However, with incentives moving higher in the city, tenants will potentially be drawn back to the CBD.

The audited financial report for FY19 is being prepared and we expect it will be available to download from [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au) at the end of September 2019. A valuation of the property has been commissioned for 30 June 2019 financial report. The updated Net Asset Backing (NAB) will be posted on [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au) as soon as the financial report is finalised and investors will be advised of the new NAB in the September 2019 Quarterly Fund Update. The annual tax statement for the Fund is also expected to be ready by the end of August 2019.



### Financial Snapshot

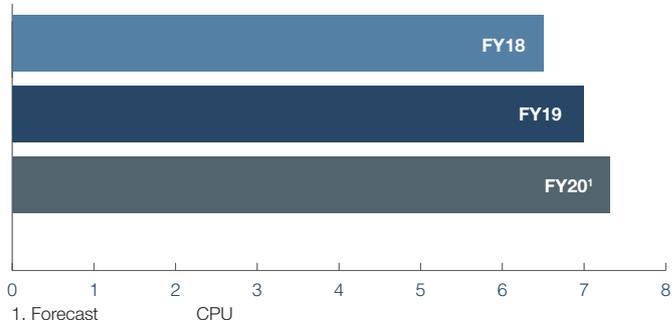
Fund Commencement Date	7 July 2017
Net Asset Backing (NAB)	\$0.90 <sup>1</sup>
Distribution Rate (cents per unit)	7.00 <sup>2</sup>
Weighted Average Lease Expiry (WALE) (years)	7.49 <sup>3</sup>
Next investor vote on term of fund	7 July 2023

1 Based on most recent audited accounts as at 31 December 2018. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at \$0.90.

2 June 2019 quarter, annualised.

3 As at 31 May 2019.

### Distribution Details



### Annualised Distribution

The distribution rate for the FY20 is forecast to increase from 7.00 cents per unit to 7.25 cents per unit, which is in line with the initial acquisition feasibility. This forecast distribution rate reflects the current performance of the Fund and assumes that all tenants will continue to satisfy their contractual obligations under their respective leases within a timely manner and that there are no significant unforeseen capital costs and no material changes to the Fund's financial obligations.

### Asset Values

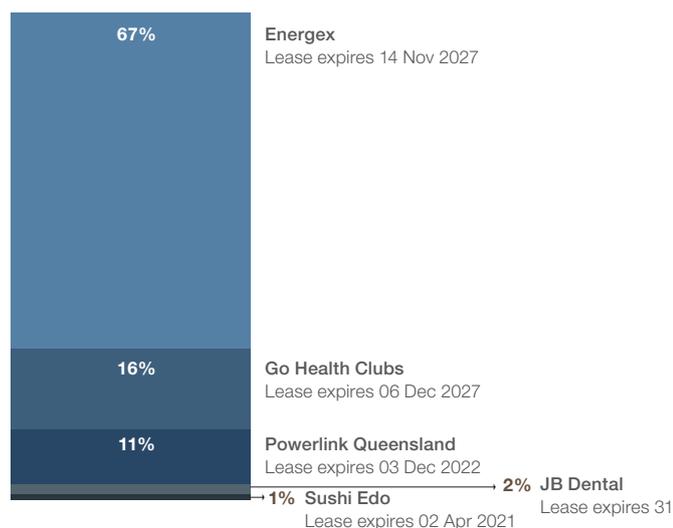
Property Address	1231-1241 Sandgate Road, Nundah QLD
Purchase Price (Jul 17)	\$106.3m
Previous Valuation – Directors (Jun 18)	\$109.1m
Current Valuation (Dec 18)	\$109.3m

## Property Details

Cap Rate (Dec 18)	6.50%
Valuer	Savills

The property was subject to an independent valuation for the purposes of the 31 December 2018 financial report. The key metrics of this valuation are outlined in the table above. The result of the 30 June 2019 valuation will be outlined within the September 2019 Quarterly Fund Update.

## Top Tenants by Net Lettable Area (NLA)



The property is 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 7.49 years as at 31 May 2019. We are pleased to report that all tenants continue to pay their rent in a timely manner.

## Property Statistics

	Initial <sup>1</sup>	Jun 18	Dec 18
Net Asset Backing	\$0.90	\$0.91	\$0.90
Property Occupancy	100%	100%	100%
Weighted Average Lease Expiry (WALE) (years)	9.40	8.29	7.86

<sup>1</sup> Based on the Product Disclosure Statement dated 7 April 2017.

## Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$48.3m <sup>1</sup>	
Undrawn Amount	\$0.50m <sup>1</sup>	
Loan Expiry	7 July 2022	
% of Debt Hedged	100% <sup>2</sup>	
Loan to Value Ratio (LVR)	43.8% <sup>3</sup>	57.5%
Interest Cover Ratio (ICR)	3.58 <sup>4</sup>	2.00

<sup>1</sup> As at 31 May 2019

<sup>2</sup> The Fund's drawn debt is fully hedged until 7 July 2022.

<sup>3</sup> The LVR is based on the most recent independent valuation as defined under the debt facility agreement.

<sup>4</sup> The stated ICR figures are based on the most recent audited accounts as at 31 December 2018.

The Fund's drawn debt remains at \$47.8 million, which is 100% hedged at a fixed rate of 2.10% p.a. (in addition to the bank margin of 1.80% p.a.) until 7 July 2022, with the ability to draw an additional \$500,000.

Under the terms of the debt facility, the Fund is required to comply with certain loan covenants over the course of the year. Based on the most recent audited accounts as at 31 December 2018, the Fund remains compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Value Ratio (LVR).

## RG46 Statements

The latest RG46 Statement for the Fund is available at [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au). It includes the following key information:

- Gearing ratio, calculated using ASIC methodology
- Gearing covenant sensitivities
- Detail of related party transactions in the period
- Further information on the source of distributions.

## Centuria Investor Website

You can access all information relating to your Centuria investments at [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au).

## Contact Details

If you require assistance with your Centuria Investor account or have any questions regarding your investment in the Fund, please contact **Centuria Investor Services on 1800 182 257** (within Australia); +61 2 9290 9689 (outside Australia) or by email on [Property.Enquiry@CenturiaInvestor.com.au](mailto:Property.Enquiry@CenturiaInvestor.com.au).