

# Centuria

Quarterly Fund Update  
September 2021

## Centuria Healthcare Property Fund

(ARSN 638 821 360 APIR CTR0438AU)

### Key Points

- Fund successfully completes capital raising and settles five properties for a combined consideration of \$159.1m<sup>1</sup>.
- Property acquisitions improve Fund diversification and Weighted Average Lease Expiry (WALE).
- September 2021 monthly distribution of 5.50 CPU (annualised)<sup>2</sup> underpinned by 100%<sup>3</sup> portfolio occupancy, and an 11.3 year WALE<sup>4</sup>.
- Fund broadens financier pool, introducing two new banks, and achieves competitive finance terms.
- Five year lease term extension secured with I-MED Radiology and Sonic Healthcare at Coffs Medical Centre reduces near term expiry risk.

1 On an 'as-if complete' basis. Properties include Perth Clinic WA, 275 Addison Road, Petersham NSW, 411 Nepean Highway, Frankston VIC, Weststate Private Hospital QLD, and Sunbury Medical Centre, Sunbury VIC.

2 The target distribution rate is not a forecast, is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of Centuria Property Funds No. 2 Limited, as Responsible Entity of the Fund. These assumptions include that the pipeline properties will be acquired by CHPF and that funding will be secured at a particular interest rate. The actual returns may differ from the target return. Centuria Property Funds No. 2 Limited do not guarantee the performance of CHPF, the repayment of capital or any income or capital return. Past performance is not reliable indicator of future performance.

3 Includes rent guarantees.

4 As at 30 September 2021. Includes agreed on 5-year lease extensions with I-MED Radiology and Sonic Healthcare.

### Fund Summary

The Centuria Healthcare Property Fund (Fund) monthly distribution of 5.50 CPU (annualised)<sup>1,2</sup> for September 2021 is in line with the target distribution rate for FY22. 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).

The Manager is pleased to confirm the Fund acquired five properties during the September 2021 quarter for a total consideration of \$159.1m<sup>3</sup>. The acquisition of the properties further diversify the Fund's portfolio across mental health, short-stay hospitals and medical centres; and significantly improves the Fund's WALE to 11.3 years from 7.5 years. To support these property acquisitions, the Fund successfully raised \$62.4 million. In addition, the Fund has increased the debt facility limit to \$170 million, including new debt facilities with ANZ and Bank Of China.



Havelock House, Perth WA

These acquisitions diversify CHPF into mental health real estate, with assets including a \$50.1million mental health hospital (Perth Clinic) and a \$12million mental health outpatient centre (Frankston). In addition, CHPF acquired a private, short-stay hospital worth \$60.5million (West State Private Hospital), a \$8.45million rehabilitation hospital (Petersham) and a \$28.6million medical centre (Sunbury Medical Centre). Further details on the property acquisitions are outlined in the 'Property Acquisitions' section later in this report.

The audited financial report for the 2021 financial year, along with the updated Net Asset Value (NAV), are available to view and download from [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au).

1 Calculation based on the monthly distribution of 0.4583 multiplied by 12. The monthly distribution rate is updated each month and is not a forecast. Past performance is not a reliable indicator of future performance.

2 The target distribution rate is not a forecast, is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of Centuria Property Funds No. 2 Limited, as Responsible Entity of the Fund. These assumptions include that the pipeline properties will be acquired by CHPF and that funding will be secured at a particular interest rate. The actual returns may differ from the target return. Centuria Property Funds No. 2 Limited do not guarantee the performance of CHPF, the repayment of capital or any income or capital return. Past performance is not reliable indicator of future performance.

3 On an 'as-if complete' basis. Properties include Perth Clinic WA, 275 Addison Road, Petersham NSW, 411 Nepean Highway, Frankston VIC, Weststate Private Hospital QLD, and Sunbury Medical Centre, Sunbury VIC.

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## Property Settlements

The Manager is pleased to confirm the fund settled five properties for a combined consideration of \$159.1m during the September 21 quarter. An outline of these properties is detailed below.

### Perth Clinic, West Perth, WA

- The property is 100% leased to Perth Clinic and underpinned by an 11.4 year WALE.
- Perth Clinic is Perth's largest mental health hospital which has been operational since 1996.
- The property is aligned with CHPF's investment mandate to acquire mental health hospitals, a major growth sector within the healthcare spectrum.
- The property is centrally located in West Perth circa 900m from Perth's CBD with strong connectivity to the wider Perth and has a significant land area of 4,487 sqm, one of the largest landholdings in West Perth.

### 275 Addison Road, Petersham NSW

- The property is 100% leased to MetroRehab and is underpinned by a 12.9 year WALE.
- MetroRehab is a 37 bed, private rehabilitation hospital offering day and inpatient services.
- MetroRehab is owned by Royal Rehab and is located in Petersham in Sydney's Inner West.
- The Property will be the Fund's first rehabilitation hospital acquisition, which is aligned with its investment mandate to acquire inpatient hospitals.

### 411 Nepean Highway, Frankston, VIC

- The property is 100% leased to Victorian State Government public health service, Peninsula Health, on an 8 year lease.
- Mental health hospitals, a major growth sector within the healthcare property spectrum.
- The property is located in Frankston, ~41 km southeast of the Melbourne city centre and north of the Mornington Peninsula. Frankston City is the regional capital for the Mornington Peninsula and the nearby south-east growth corridor of Melbourne

### Weststate Private Hospital QLD

- The property is a \$60.5m fund-through acquisition of a 5-storey architecturally designed, purpose-built hospital comprising four operating theatres, one procedure room, 19-day beds and 26 overnight beds, and brownfield development of existing building to consulting suites.
- The property will have a 25-year weighted average lease expiry (WALE) at practical completion, which improves the WALE of the portfolio to 11.3 years, from 8.4 years<sup>1</sup>.
- The asset is 100% leased to Weststate Private Hospital Limited (Weststate), a newly established entity whose model of care is focused on higher fee surgical procedures, better patient care and lower out of pocket expenses.
- The Property is strategically aligned with CHPF's investment mandate to acquire private hospitals utilising effective models of care in markets with strong demand.

### Sunbury Medical Centre, Sunbury VIC

- The property is 100% occupied by a variety of health and health-related services including GP clinic, pharmacy, pathology, psychology, radiology, diagnostics, dietary, podiatry, chiropractic and beauty salon.

- The property was constructed in 2019 and the WALE is 7.9 years.
- The acquisition of the property provides diversification benefits to the Fund by improving the exposure to medical centres and the state of Victoria.
- The Property is located in the city of Sunbury and is in close proximity to the commercial town centre. Sunbury is approximately 39 kilometres northwest of the Melbourne CBD and is part of Greater Melbourne.

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## Investment Pipeline

Additionally, the Manager is contracted to acquire one property and is in due diligence to acquire two properties. The two pipeline opportunities for the Fund are 3 Garrick Road, St Ives NSW, and 49 Benaroon Crescent, St Ives NSW for a total consideration of \$7.31 million.

- The properties are two existing two dementia care homes, with dementia care facilities forming part of CHPF's investment strategy.
- The properties are 100% leased to Group Homes Australia (GHA) each on a 20 year WALE.
- The properties are located in the Sydney suburb of St Ives, an affluent suburb with demographics supported by GHA's operating model.
- The acquisition will increase the portfolio WALE (by income) to 11.4 years from 11.3 years and provides diversification by tenant and property type.
- GHA currently owns 12 homes in Sydney with an additional 11 homes under development. The facilities are legislated by the Retirement Villages Act.

A detailed breakdown of the current portfolio and pipeline assets are detailed in the Property Details section.

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## Financial Snapshot

<b>Fund Commencement Date</b>	8 October 2019
<b>Unit Price</b>	1.0221 <sup>1</sup>
<b>Distribution Rate (cents per unit)</b>	5.50 <sup>2</sup>
<b>Weighted Average Lease Expiry (WALE) by income (years)</b>	11.3 <sup>3</sup>
<b>Next Investor Vote on Term of Fund</b>	August 2025

1 The ex-div unit price as at 30 September 21

2 Monthly distribution rate paid for the months from July 2021 to June 2022, annualised. Past performance is not a reliable indicator of future performance.

3 Based on the portfolio as at 30 September 2021 at the as-if complete valuation and excludes properties currently contracted or in due diligence. Includes agreed on 5-year lease extensions with I-MED Radiology and Sonic Healthcare.

## Fund Performance Breakdown

The fund is currently invested in direct and indirect property investment across 17 properties with a carrying value of \$288.6 million. The Fund closed the quarter with a unit price of \$1.0221 per unit. The total return since inception is 8.2% primarily driven by the increase in the underlying investment property value by \$6.2<sup>1</sup> million to \$178.7 million as at 30 June 2021.

The table below summarises the Fund's performance since inception<sup>1</sup>.

## Fund Performance

As at 30 Sep 2021	Six Month <sup>3</sup>	Twelve Month	Since Inception <sup>2,3</sup>
Capital Growth	3.36%	1.94%	2.01%
Distribution	2.84%	5.67%	6.15%
Total Return	6.20%	7.61%	8.16%

1 Performance is shown for informational purposes only. Past performance is not a reliable indicator of future performance. Performance fees may affect total return performance.

2 Inception date is 21 September 2020.

3 Returns are not annualised.

## Property Details

Property	Property Value (\$m, 100%)	Cap Rate	Direct Ownership (%)	Ownership Value (\$m)	WALE (by income years) <sup>1</sup>	Occupancy
Vermont South Medical Centre, VIC	57.1	5.50%	85%	48.5	8.8	100%
Forrest Family Practice, WA	7.3	5.75%	100%	7.3	9.8	100%
Bloomfield Medical Centre, NSW	57.5	5.625%	85%	48.9	7.4	100%
Hobart Day Surgery, TAS	5.8	6.75%	85%	4.9	2.8	100%
Sundew Day Surgery, Joondalup WA	13.0	5.75%	85%	11.0	8.4	100%
Cairns Day Surgery, QLD	21.6	5.50%	100%	21.6	6.8	100%
Coffs Harbour Medical Centre, NSW	23.0	6.00%	100%	23.0	3.0 <sup>2</sup>	100%
18 Lisa Crescent, Castle Hill, NSW	2.0	5.75%	100%	2.0	14.7	100%
35 Chiltern Crescent, Castle Hill, NSW	2.0	5.75%	100%	2.0	14.7	100%
Perth Clinic, West Perth, WA	50.1	4.00%	100%	50.1	11.4	100%
411 Nepean Highway, Frankston VIC	12.0	4.75%	100%	12.0	7.7	100%
275 Addison Road, Petersham, NSW	8.45	4.75%	100%	8.45	12.9	100%
Weststate Private Hospital, West End QLD	10.0 <sup>3</sup>	5.75%	100%	10.0	25.0	100%
38-44 Gap Road, Sunbury VIC	28.6	4.50%	100%	28.6	7.9	100%
<b>Indirect Properties – Investment in NPUT<sup>4</sup></b>				10.1		
<b>Current Portfolio</b>	<b>298.5</b>	<b>5.22%</b>		<b>288.6</b>	<b>11.3<sup>5</sup></b>	<b>100%</b>
West Medical Hub, SA	11.7	6.00%	100%	11.7	6.2	100%
<b>Current and contracted Portfolio<sup>4</sup></b>	<b>310.2</b>	<b>5.25%</b>		<b>300.3</b>	<b>11.1<sup>5</sup></b>	
3 Garrick Road, St Ives NSW	4.0	5.00%	100%	4.0	20	100%
49 Benaroon Crescent, St Ives NSW	3.3	5.00%	100%	3.3	20	100%
<b>Current, contracted and pipeline assets<sup>4</sup></b>	<b>317.5</b>	<b>5.24%</b>		<b>307.6</b>	<b>11.3<sup>5</sup></b>	<b>100%</b>

1 As at 30 September 2021

2 Includes agreed on 5-year lease extensions with I-MED Radiology and Sonic Healthcare

3 This property is a fund through development. Property value reflects "As Is" valuation. The as-if complete valuation for the property is \$60.5 million

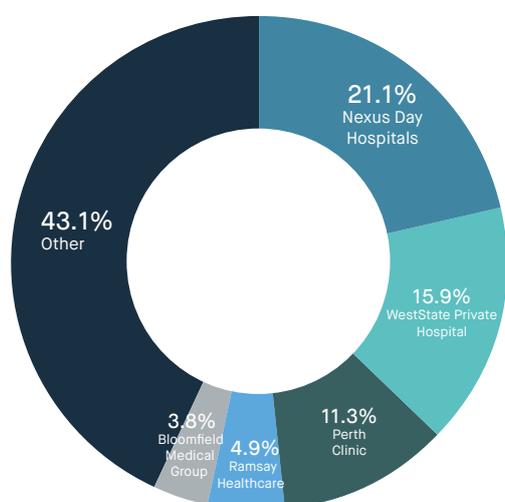
4 The Fund also has an indirect interest in the Nexus anchored properties via Nexus Property Unit Trust (NPUT). NPUT currently owns a 15% interest in Vermont South Medical Centre, Bloomfield Medical Centre, Hobart Day Surgery and Sundew Day Surgery

5 Based on the "As If" complete value of 18 Lisa Crescent Castle Hill, NSW (\$3.7 million), 35 Chiltern Crescent, Castle Hill, NSW (\$3.7 million) and Weststate Private Hospital, West End, QLD (\$60.5 million)

6 The Manager will not be proceeding with the acquisition of Cambridge Day Surgery that was previously communicated in the June quarter update

## Top Tenants Gross Passing Income

Nexus Hospitals, Australia's second largest day hospital operator which is owned by QIC's Global Infrastructure Fund<sup>1</sup>, comprises 21.1% of the portfolio's gross passing income as at 30 September 2021.



The Fund is 100% occupied with a Weighted Average Lease Expiry (WALE) by income of 11.3 years as at 30 September 2021.

- 1 QIC's Global Infrastructure Fund and co-investors acquired a c.75% equity interest in Nexus Hospitals in September 2019.
- 2 Includes Bloomfield Medical Centre where the hospital is owned by Orange Private Hospital Pty Ltd but operated by Nexus under a management agreement.

## COVID-19 Update

The Federal Government's Mandatory Code of Conduct has recently been reimplemented to assist eligible tenants during the 2021 COVID period. Centuria Healthcare has re-established regular meetings to review current events and is in constant dialogue with our tenants. Generally, rent relief claims are starting to re-emerge, with the extent of relief claims is likely to be a function of the duration of the current lockdown restrictions.

Tenants who fall outside the code are required to pay rent, however providing rental relief to eligible tenants is important to ensure future occupancy, keep tenants loyal, develop tenant relationships, and open the door to discuss lease term negotiations.

We are pleased to confirm that the monthly distribution for September 2021 have been paid at a rate of 5.5 cents per unit (annualised). Rent relief requests received to date by the Fund, represents only 1.6% of the Fund's income and is primarily from café tenants.

We will continue to keep investors updated as matters progress, however if you require any additional information, please call our investor relations team on 1300 22 44 24, email us at [contactus@centuria.com.au](mailto:contactus@centuria.com.au) or visit our website: [centuria.com.au](http://centuria.com.au).

## Portfolio Statistics

	Jun 21	Sep 21
Portfolio Occupancy	100% <sup>1</sup>	100% <sup>1</sup>
Weighted Average Lease Expiry (WALE) by income (years)	7.3	11.3 <sup>2,3</sup>
Portfolio Valuation	192.0	352.4 <sup>2</sup>

- 1 Includes rental guarantees.
- 2 Based on the portfolio as at 30 September 2021 and excludes properties currently contracted or in due diligence.
- 3 Includes agreed on 5-year lease extensions with I-MED Radiology and Sonic Healthcare.

## Debt Summary

We are pleased to confirm the Fund has agreed a 3-year \$50m facility with ANZ and a 5-year \$50.0m facility with BOC on favourable terms, resulting in a material reduction of the Fund's weighted average margin from 2.1% to 1.4% p.a. The Fund also agreed a reduction of NAB's facility from \$59m to \$40m. The table below summarises terms for the existing facility agreements with NAB, BOQ, ANZ and BOC.

	Current Period	Loan Covenants
Total Facility Limit	\$170.0m	
Undrawn Amount	\$52.55m <sup>1</sup>	
Weighted Average Loan Expiry	3.3 years	
% of Debt Hedged	18.73% <sup>1</sup>	
Loan to Value Ratio (LVR)	42.22% <sup>2</sup>	55.0%
Interest Cover Ratio (ICR)	5.99x <sup>1</sup>	2.00x

- 1 As at 31 August 2021.
- 2 The LVR is based on a drawn debt amount of \$117.45m over the valuations for the current fourteen properties as at 30 September 2021.

## 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

Access all your Centuria Healthcare investments information 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).

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