

Centuria

Quarterly Fund Update
June 2021

Centuria 111 St Georges Terrace Fund

(ARSN 098 126 660)

Key Points

- FY22 distributions forecast to increase from 28.00 cents per unit to 30.00 cents per unit (annualised).
- The Western Australian economy continues to outperform, however the commercial office market within Perth CBD remains challenging.
- The property is 88.7% leased with a weighted average lease expiry of approximately 3.42 years.

Fund Summary

Distributions for the **Centuria 111 St Georges Terrace Fund** (Fund) continue to be paid at 28.00 cents per unit (annualised) for the June 2021 quarter, which is in line with the forecast for the 2021 financial year. The corresponding distribution statement for the Fund can be accessed from our online investor portal at centuriainvestor.com.au.

According to Knight Frank Research, the Western Australian economy continues to outperform amid a stronger national recovery, which has largely been driven by the demand for iron ore and the associated increase in its price. This trend is set to continue with Oxford Economics forecasting that gross state product will grow by 3.0% in 2021 and 3.65% in 2022.

Unfortunately, the strength of the resources sector is not generally translating into greater demand for office space as the infrastructure investment that typically drives it, has already been completed. However, there has been a recent pickup in enquiry with demand primarily concentrated in premium buildings within the 500 sqm or less range. A recovery in oil and gas prices, combined with a limited supply pipeline and growth in employment as people continue to return to offices, could further boost demand in the short to medium term. As a result, effective rental growth is anticipated to be relatively subdued in 2021 with prime face rents forecast to increase by between 2.0% and 3.0% per annum during 2023 and 2025 as the vacancy rate declines.

Yields on prime office assets within the Perth CBD have remained stable over the past six months at 6.40% and are 12.5 basis points lower than 12 months ago, which reflects long term investor confidence in the market.

The audited financial report for the 2021 financial year is currently being prepared and it is anticipated to be available to download from CenturiaInvestor.com.au at the end of September 2021. A valuation of the property has recently been instructed for the purposes of the Fund's 30 June 2021 financial report. The updated Net Asset Backing (NAB) will be posted on CenturiaInvestor.com.au when the financial report is finalised. Investors will be advised of the new NAB in the September 2021 Quarterly Fund Update. The annual tax statement for the Fund is also expected by the end of August 2021.



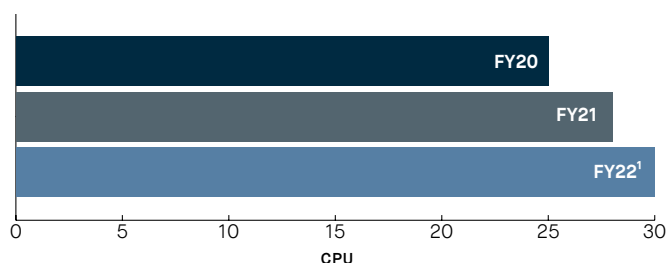
Financial Snapshot

Fund Commencement Date	31 January 2002
Net Asset Backing (NAB)	\$3.52 ¹
Distribution Rate (cents per unit)	28.00 ²
Weighted Average Lease Expiry (WALE) (years)	3.42 ³
Next Investor Vote on Term of Fund	31 January 2022

- 1 Based on the most recent audited accounts as at 31 December 2020. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would be \$3.57.
- 2 June 2021 quarter, annualised.
- 3 As at 30 June 2021.

Distribution Details

Annualised Distribution



- 1 Forecast (annualised).

The distribution rate for the 2022 financial year is forecast to increase from 28.00 cents per unit to 30.00 cents per unit (annualised), 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.

Property Details

Asset Values

Property Address	111 St Georges Terrace, Perth WA
Purchase Price (July 2002)	\$42.5m
Previous Valuation – Independent (Jun 20)	\$155.0m
Current Valuation (Dec 20)	\$155.8m
Cap Rate (Dec 20)	6.75%
Valuer	Directors'

The property was subject to a Directors' valuation for the The property was subject to a Directors' valuation for the purposes of the 31 December 2020 audited financial report. The key metrics of this valuation are outlined in the table above and the result of the 30 June 2021 valuation will be outlined within the September 2021 Quarterly Fund Update.

Top Five Tenants by Net Lettable Area (NLA)

16%	WA Industrial Relations Commission Lease expires 30 Jun 2024
14%	Administrative Appeals Tribunal Lease expires 31 Dec 2026
11%	Bank of Queensland Lease expires 31 Jul 2029
9%	WA Electoral Commission Lease expires 31 Dec 2026
6%	Fair Work Commission Lease expires 30 Nov 2022

The property is currently 88.7% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 3.42 years as at 30 June 2021.

As a result of the COVID-19 pandemic, leasing enquiry has been relatively subdued over the past 12 months and it has also had an impact on tenant retention. However, as businesses return to offices in greater numbers and the Australian economy shows signs of recovery, leasing interest in the property is increasing. Unfortunately, at this stage we only have terms agreed over a small 178 sqm suite on level 10, however a number of positive inspections on various other vacant tenancies have been undertaken recently and we look forward to providing investors a further update on any leasing progress in the September 2021 Quarterly Fund Update.

Property Statistics

	Jun 20	Dec 20
Net Asset Backing	\$3.57	\$3.52
Property Occupancy	88.8%	86.4%
Weighted Average Lease Expiry (WALE) (years)	4.08	3.92

Debt Summary

	Current Period	Loan Covenants
Total Loan Amount	\$90.0m ¹	
Undrawn Amount	\$6.0m ¹	
Loan Expiry	30 June 2022	
% of Debt Hedged	83.3% ²	
Loan to Value Ratio (LVR)	54.2% ³	65.0%
Interest Cover Ratio (ICR)	4.12 ⁴	2.50

¹ As at 31 May 2021.

² The Fund has hedged \$70.0m until 28 June 2021 at a rate of 1.105% p.a.

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

⁴ The stated ICR figures are based on the most recent audited accounts as at 31 December 2020.

The Fund's drawn debt remains at \$84.0 million, which is 83.3% hedged at a fixed rate of 1.105% p.a. (in addition to the bank margin of 1.55% p.a.), which leaves \$6.0 million undrawn to fund future capital expenditure and leasing-related costs.

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 2020, 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. 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.

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.