

Centuria

Quarterly Fund Update
March 2021

Centuria 111 St Georges Terrace Fund

(ARSN 098 126 660)

Key Points

- As at 31 December 2020, the Net Asset Backing of the Fund is \$3.52.
- Distributions for the March 2021 quarter remain at 28.00 cents per unit (annualised).
- The property is 89% leased with a 3.83-year Weighted Average Lease Expiry (WALE).

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 March 2021 quarter, which is in line with the 2021 financial year forecast. The corresponding distribution statement for the Fund can be accessed from our online investor portal at CenturiaInvestor.com.au.

According to JLL Research, the Perth CBD vacancy rate reduced slightly by 0.4% to 20.0% during the December 2020 quarter, which marks the first quarterly decrease since Q4 2019. Furthermore, vacancy in Perth's prime grade buildings also reduced by 0.2% to 15.7% over the same period.

Even though the COVID-19 pandemic has significantly impacted leasing conditions within the market, the long-term outlook appears positive with the overall vacancy rate expected to trend lower from 2022 onwards. It is anticipated that sectors such as mining, professional services and healthcare, which were showing signs of expansion prior to the outbreak, will likely return as economic conditions improve and business confidence increases. A limited supply pipeline in the short to medium term will also greatly assist.

Average Perth CBD prime grade yields remained unchanged during the December 2020 quarter, ranging between 5.25% to 7.75%. Investment activity continues to be subdued, most likely as a result of limited opportunities. However, several well capitalised groups exist in the market and demand for high quality assets is expected to remain robust over the next 12 to 24 months.

The 31 December 2020 audited financial report is now available to download from our online investor portal at CenturiaInvestor.com.au. The report confirms the Net Asset Backing (NAB) of units in the Fund decreased from \$3.57 (as at 30 June 2020) to \$3.52 (as at 31 December 2020). The reduction is predominately due to rent relief provided to tenants as a result of the COVID-19 pandemic, additional capital expenditure, leasing related costs, as well as an increase in the Mark to Market value of the Fund's derivative instruments that results in approximately \$0.05 being deducted from the NAB. However, the \$813,732 reduction from the Fund's net assets is only materialised if the three-year swap over 83% of the drawn debt is broken prior to 28 June 2021. This amount will also reduce as the remaining term on the swap diminishes but may fluctuate depending on the movement of interest rates.



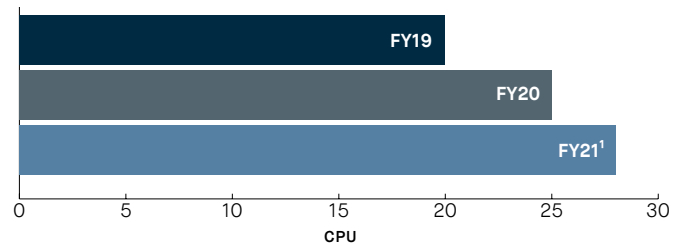
Financial Snapshot

| | |
|--|---------------------|
| 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) | 3.83 ³ |
| Next Investor Vote on Term of Fund | 31 January 2022 |

- 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.
- March 2021 quarter, annualised.
- As at 28 February 2021.

Distribution Details

Annualised Distribution



- FY21 distribution rate forecast is based on FY21 actual and June 2021 forecast (annualised).

The distribution rate of 28.00 cents per unit (annualised) is in line with the 2021 financial year forecast. 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. However, allowances have also been made for likely changes to tenant rental payments due to the COVID-19 pandemic.

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 purposes of the 31 December 2020 audited financial report. The key metrics of this valuation are outlined in the table above.

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 89% occupied with an approximate 3.83-year WALE as at 28 February 2021.

As a result of the COVID-19 pandemic, leasing enquiry has been relatively subdued during the past 12 months and tenant retention was impacted during the same period. However, as businesses return to offices in greater numbers and the Australian economy shows signs of recovery, combined with the strength of the resources sector, leasing interest in the property is increasing. Currently, there is only one proposal issued for a small 178 sqm suite on Level 10. Additionally, several positive inspections of other vacant tenancies were recently undertaken.

As previously communicated, of the remaining vacancy, Level 8 and two other smaller suites feature speculative fitouts. The Manager is also reviewing potentially retrofitting another two tenancies to assist with leasing traction.

Investors will be provided with a further update on any leasing progress in the June 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 28 February 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 during 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.