

Centuria

Quarterly Fund Update
December 2020

Centuria 348 Edward Street Fund

(ARSN 636 584 515)

Key Points

- The property is 93% leased, with a WALE of 4.32 years as at 31 December 2020.
- Lease terms agreed on available tenancy on level four.
- December 2020 quarter distributions paid at an increased rate of 6.50 cents per unit (annualised).
- Distributions to be maintained at 6.50 cents per unit (annualised) for the March 2021 quarter.

Fund Summary

Distributions for the **Centuria 348 Edward Street Fund** (Fund) have been paid in line with the December 2020 quarter forecast of 6.50 cents per unit (annualised). 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.

Centuria is pleased to report it has recently agreed lease terms for the refurbished Level 4 tenancy (381 sqm), which is a positive sign given the prevailing pandemic conditions. The leasing is reflective of the available space's high quality fit out, strong tenant engagement through a differentiated marketing approach, and the property's overall amenity. Investors will be provided with a further update upon lease execution.

The audited financial report for the half year ending 31 December 2020 is currently being prepared and is anticipated to be available in late March 2021. A valuation of the property was recently instructed for the purposes of the 31 December 2020 financial report. The updated Net Asset Backing (NAB) will be posted on our online investor portal at CenturiaInvestor.com.au as soon as the financial report is finalised. Investors will also be advised of the new NAB in the March 2021 Quarterly Fund Update.

Market/COVID-19 Commentary

Improvement in Market Sentiment

Centuria is pleased to see positive investment sentiment during the past quarter, in particular:

- The Australian Securities Exchange (ASX) 200 Index showed a c.45% improvement between the lowest point in March 2020 and 1 December 2020.
- Domestic commercial office Real Estate Investment Trusts (REIT's) ASX trading price has trended closer to NTA (or net tangible assets). This means the discount the share market previously priced in has reduced, and confidence is improving. During the past nine months, valuations of office assets have remained resilient – with cap rates holding firm (or tightening), representing continued demand for core office buildings with



secure income streams. Centuria has tracked nine office sales, totalling c.\$1.5bn, since February 2020, with an average cap of 5.22% – showing investment appetite at pre-COVID levels.

Office Occupation

Centuria believes work from home (WFH) trends will continue to dissipate as workers are increasingly returning to their workplace in most locations across Australia.

In November, the Property Council of Australia (PCA) conducted a poll that revealed more than 60% of respondents were keen to return to the office once restrictions are eased. The survey also revealed that CBD workers are returning to their offices in increasing numbers with occupancy in Adelaide and Perth at 70%, Brisbane and Canberra above 60%, while Sydney remains at 40%.

From 14 December, the NSW public health order requiring employers to allow employees to WFH was lifted. Centuria expects more workers will return to their offices within the next month or two. Given Victoria's lockdown restrictions were only recently lifted, a similar trend is anticipated to follow in Melbourne.

Centuria expects WFH arrangements will remain part of some organisations moving forward, but there are various apparent considerations which need to be addressed when reviewing this approach, including:

- Social isolation and mental health impacts.
- Inequitable workplace environments.
- Potential distractions at home.
- Additional home office costs.
- Diminished culture, manager and team engagement.
- Reduced work life and personal life separation (risk of overworking).

In addition, Centuria believes the benefits from working in the office outweigh the arguments of WFH (i.e. less commuting or better work/life balance). Several benefits of working in the office include:

- Improved execution of workstreams that require person to person contact.
- Better professional relationships with stakeholders and colleagues.
- More structured and unstructured collaboration.
- Promotion of unscheduled interactions and idea generation.
- Effective mentoring, staff on-boarding, and culture frameworks.

While the final position is yet to play out and there are arguments being mounted for WFH trends, we believe the disadvantages outweigh the advantages, particularly for employers who will ultimately drive decisions post the Pandemic. Therefore, Centuria's view remains firm – high quality, well located commercial office properties, underpinned by strong tenancy profiles, should remain an attractive investment opportunity, particularly in a low interest rate environment.

Financial Snapshot

Fund Commencement Date	12 December 2019
Unit Price	\$0.95 ¹
Net Asset Backing	\$0.84 ¹
Distribution Rate (cents per unit)	6.50 ²
Weighted Average Lease Expiry (WALE) (years)	4.32 ³
Next Investor Vote on Term of Fund	12 December 2024

1 Based on most recent audited accounts (30 June 2020). Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would be \$0.85.

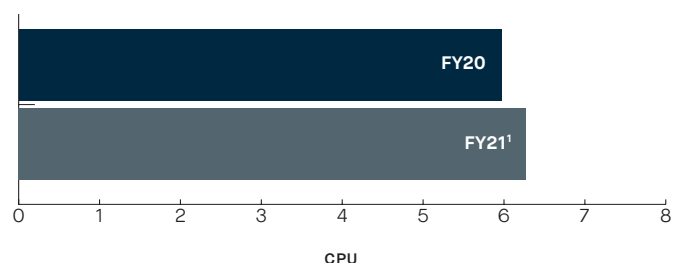
2 December 2020 quarter annualised.

3 As at 31 December 2020, includes the financial impact of an 18-month rental guarantee from the Vendor.

As outlined in the Product Disclosure Statement, units were issued at \$1.00 per unit. Thereafter, the unit price will reflect the NAB per unit with adjustments made for the amortisation of certain fees and expenses on a straight-line basis over five years.

Distribution Details

Annualised Distribution



1 FY21 distribution rate forecast is based on 1H2021 actual and March 2021 forecast (annualised).

The distribution rate for the March 2021 quarter is forecast to remain at 6.50 cents per unit (annualised). The March 2021 forecast makes allowances for changes to tenant rental payments relating to COVID-19 pandemic and is also reliant on agreed payment plans being adhered to by various tenants.

Due to the COVID-19 pandemic's impact, the distribution forecast for the Fund continues to be limited to the quarterly period only. The FY21 distribution rate will be reassessed and communicated in the next quarterly report. Should there be any material departures from this forecast, an out of cycle Investor update will be provided.

This forecast distribution rate reflects the current performance of the Fund and assumes all tenants will satisfy their contractual obligations under their respective leases within a timely manner. It also assumes there are no significant unforeseen capital costs and no material changes to the Fund's financial obligations.

Property Details

Asset Values¹

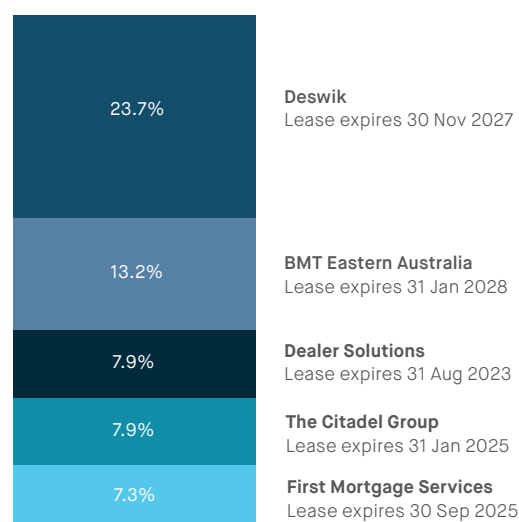
Property Address	348 Edward Street, Brisbane QLD
Purchase Price (Dec 19)	\$79.0m ¹
Acquisition Valuation – Independent (Dec 19)	\$79.0m ¹
Current Valuation (Jun 20)	\$81.5m
Cap Rate (Jun 20)	6.00%
Valuer	Director's

1 Acquisition price / valuation including incentives was \$89.0m.

The property was subject to a valuation for the purposes of the 30 June 2020 Financial Report. The key metrics of this valuation are outlined in the table above.

Though the June valuation shows an increase to the 'face' value, the NAB of units have reduced. The increase to the face value of the property is a result of incentives being paid out, which were adjusted at acquisition. These incentives were funded by raising additional debt (in line with the Fund PDS), which means there was no change to the NAB of units. However, the 'face' increase was moderately outweighed by various valuation deductions, resulting in a mild reduction to the property's value / NAB of units.

Top Five Tenants by Net Lettable Area (NLA)



The Weighted Average Lease Expiry (WALE) by income is approximately 4.32 years as at 31 December 2020 and includes the financial impact of an 18-month rental guarantee from the vendor.

Property Statistics

	Initial ¹	Dec 19	Jun 20
Net Asset Backing	\$0.88	\$0.88 ¹	\$0.84 ¹
Property Occupancy Rate	88%	88% ¹	91%
Weighted Average Lease Expiry (WALE) (years) ²	5.1	5.07	4.79

1 Based on the Product Disclosure Statement dated 31 October 2019.

2 Includes the financial impact of an 18-month rental guarantee from the vendor.

Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$46.7m ¹	
Undrawn Amount	\$11.78m ¹	
Loan Expiry	1 Dec 2024	
% of Debt Hedged	94.0% ²	
Loan to Value Ratio (LVR)	42.70% ³	60.0%
Interest Cover Ratio (ICR)	4.32 ⁴	2.0

1 As at 30 November 2020.

2 As at 30 June 2020, Fund's drawn debt is hedged until 12 December 2022.

3 The LVR is as at 30 June 2020 and 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 (30 June 2020).

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.