

# Centuria

Quarterly Fund Update  
June 2021

## Centuria 8 Central Avenue Fund No. 2

(ARSN 605 264 211)

### Key Points

- Early return of capital to Investors of \$0.27 cents per unit.
- June 21 quarter distribution rate of 9.75 cpu (annualised) – 13.3% on remaining equity.
- FY22 distribution rate is forecast to increase to 10.0 cents per unit (annualised).
- SpeedX executes leases on level 9, mitigating near term expiry risk.
- The property is 96.5% occupied with a weighted average lease expiry of approximately 8.50 years.

### Fund Summary

Distributions for the **Centuria 8 Central Avenue Fund No. 2** (Fund) have been paid in line with the forecast of 9.75 cents per unit (annualised) for the June 2021 quarter. 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).

In late March 2021, following the successful refinance of the Fund, Investors received a partial return of capital which was funded from the debt facility. The Fund subsequently maintained the distribution rate of 9.75 cents per unit for the June 2021 quarter. Following this \$0.27 per unit partial return of capital the distribution yield on remaining equity, based on the original issue price of \$1.00, has now increased to 13.3% which is an excellent result. Investors will note that the Net Asset Backing (NAB) of units has reduced proportionally in line with the capital return.

We are pleased to report that we have recently executed leases across level 9 (3,006 sqm or 8.2% by NLA) at the Property. This tenancy was previously occupied by the Cancer Institute and represented the largest near-term lease expiry at the Property. The Fund's focus remains on the last available tenancy on level 8, and we look forward to updating Investors.

The audited report for the 2021 financial year is currently being prepared and it is anticipated to be available to download from [CenturiaInvestor.com.au](http://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 NAB will be posted on [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au) when the financial report is finalised. Investors will be advised of the new NAB in the September 2021 Quarterly Fund Update. Investors' annual tax statement for the Fund is expected by the end of August 2021.



### Financial Snapshot

Fund Commencement Date	1 July 2015
Net Asset Backing	\$1.67 <sup>1</sup>
Distribution Rate (cents per unit)	9.75 <sup>2</sup>
Weighted Average Lease Expiry (WALE) (years)	8.50 <sup>3</sup>
Next investor vote on term of Fund	1 January 2024

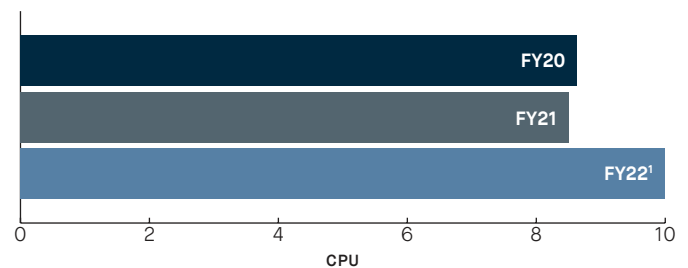
1 Based on most recent audited accounts (31 December 2020) and after deducting the \$0.27 early return of capital made in March 2021. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at \$1.67.

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 9.75 cents per unit to 10.00 cents per unit (annualised). The distribution rate assumes that rent deferral repayments are received in line with rent deferral agreements.

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 Values

Property Address	8 Central Avenue, South Eveleigh, NSW
Purchase Price (Jul 15)	\$109.4m <sup>1</sup>
Previous Valuation – Independent (Jun 20)	\$189.0m <sup>1</sup>
Current Valuation (Dec 20)	\$190.0m <sup>1</sup>
Cap Rate (Dec 20)	5.38%
Valuer	CBRE

<sup>1</sup> Based on 50% of the property.

The key metrics of the 31 December 2020 valuation are outlined in the table above, and the result of the 30 June 2021 valuation will be included within the September 2021 Quarterly Fund Update.

## Top Five Tenants by Net Lettable Area (NLA)

25%	<b>Pacific Magazines Pty Ltd</b> Lease expires 31 Dec 2029
21%	<b>State Property Authority</b> (now Government Property NSW) Lease expires 30 Nov 2025
20%	<b>Seven Network (Operations) Ltd</b> Lease expires 31 Dec 2029
19%	<b>NEP Australia Pty Ltd</b> Lease expires 31 Dec 2034
8%	<b>SpeedX</b> Lease expires 31 Aug 2025

The property is 96.5% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 8.50 years as at 30 June 2021.

The Sydney fringe office market recorded 1,400sqm of positive net absorption during 1Q21, resulting in headline vacancy reducing to 7.7% over the March 2021 quarter. The net absorption reflects the prevalent 'flight to quality' theme, with tenants taking advantage of improved leasing conditions and using the opportunity to move into superior quality space. There were no supply completions recorded in the March 2021 quarter, with six buildings under construction totaling 34,800 sqm which are projected to complete in the next two years. The largest development is the refurbishment of the locomotive workshop in South Eveleigh (~23,000sqm) which is forecast to complete later this year. Approximately 53% of this space has been pre-leased (Source JLL Office Market Update Q121).

## Property Statistics

	Initial <sup>1</sup>	Jun 20	Dec 20
Net Asset Backing	\$0.90	\$1.91	\$1.67 <sup>2</sup>
Property Occupancy	100%	100%	97%
Weighted Average Lease Expiry (WALE) (years)	10.97	7.59	7.23

<sup>1</sup> Based on the Product Disclosure Statement as at 8 April 2015.

<sup>2</sup> After deducting the \$0.27 early return of capital made in March 2021.

## Debt Summary

	Current Period	Loan Covenants
Total Loan Amount	\$85.1m <sup>1</sup>	
Undrawn Amount	\$6.6m <sup>1</sup>	
Loan Expiry	8 Jan 2024	
% of Debt Hedged	49.3% <sup>2</sup>	
Loan to Value Ratio (LVR)	28.6% <sup>3</sup>	60.0%
Interest Cover Ratio (ICR)	7.91 <sup>4</sup>	1.95

<sup>1</sup> As at 31 May 2021.

<sup>2</sup> Fund's drawn debt is partially hedged until 18 June 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 (31 December 2020).

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](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).

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