

Centuria

Quarterly Fund Update
June 2021

Centuria 80 Flinders Street Fund

(ARSN 634 979 838)

Key Points

- FY22 distributions forecast to increase from 6.60 cents per unit to 6.70 cents per unit (annualised).
- Tenant demand for prime new generations assets within the core of the Adelaide CBD remains strong.
- Terms agreed with Better Medical for a five year lease over ~850 sqm on part level 7.

Fund Summary

Distributions for the **Centuria 80 Flinders Street Fund** (Fund) continue to be paid at 6.60 cents per unit (annualised) for the June 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 Knight Frank Research, tenant demand for prime new generation assets (completed post 2006) within the core of the Adelaide CBD continues to be relatively strong. As at January 2021, the vacancy rate within this sector was approximately 9.1%, compared to 16.0% in the overall market. Furthermore, prior to the completion of the vacant 108 Wakefield Street (14,000 sqm), it is estimated that this figure would have fallen to approximately 3.3%.

However, while prime gross face rents have largely remained stable at \$553 per sqm, net effective rents have reduced slightly from \$263 per sqm to \$258 per sqm. This has primarily been driven by an increase in incentives to between 35.0% and 37.5%, which has resulted in a 'flight to quality' trend from tenants. Upward pressure on incentives is also anticipated to continue due to the forecast increase in supply from CBUS' 83 Pirie Street (30,000 sqm and 58% pre-committed) and Charter Hall's 60 King William Street (40,000 sqm and 71% pre-committed).

From a capital markets perspective, the Adelaide market remains attractive to a range of purchasers including local private investors, wholesale funds, syndicates, Australian Real Estate Investment Trusts and offshore institutional investors. Recent transactions have demonstrated that the impact of lower interest rates has more than offset the uncertainty within the occupier market. Adelaide is also benefitting from a more uniform economic outlook across the major cities than previously displayed when Sydney and Melbourne have shown faster growth, and this is contributing to the narrowing of the yield differential across markets.

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	30 September 2019
Unit Price	\$0.94 ¹
Net Asset Backing (NAB)	\$0.90 ²
Distribution Rate (cents per unit)	6.60 ³
Weighted Average Lease Expiry (WALE) (years)	3.5 ⁴
Next Investor Vote on Term of Fund	30 September 2024

1 As at 31 December 2020.

2 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 \$0.92.

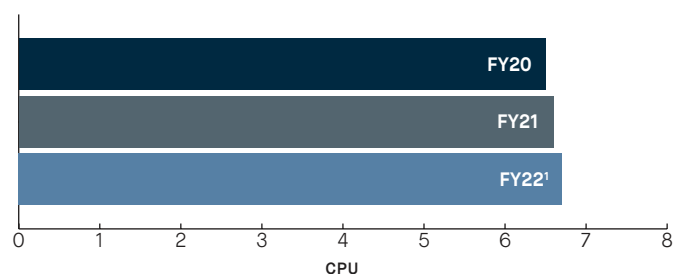
3 June 2021 quarter, annualised.

4 As at 30 June 2021, inclusive of signed Heads of Agreements

As outlined in the PDS, units have been 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 throughout five years.

Distribution Details

Annualised Distribution



1 Forecast (annualised).

The distribution rate for the 2022 financial year is forecast to increase from 6.60 cents per unit to 6.70 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

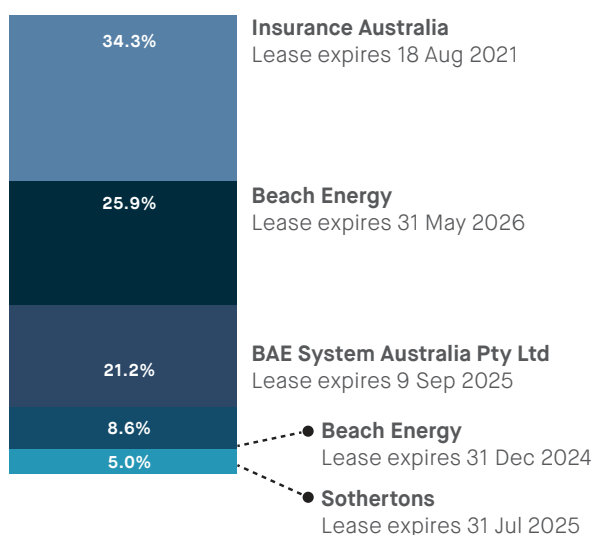
Asset Values

Property Address	80 Flinders Street, Adelaide SA
Purchase Price (Sep 19)	\$123.4m ¹
Previous Valuation–Independent (Jun 20)	\$121.5m
Current Valuation (Dec 20)	\$121.6m
Cap Rate (Dec 20)	5.75%
Valuer	Directors'

¹ Acquisition price including outstanding incentives was \$127.0m.

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)



The property is currently 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 3.5 years as at 30 June 2021. The tenants continue to pay rent in a timely manner.

We are extremely pleased to report that terms have been agreed with Better Medical for a five year lease over approximately 850 sqm on level 7. As a result, the 2,000 sqm being relinquished by Insurance Australia on 18 August 2021 has been committed to well prior to expiry, which is an exceptional result for the Fund. Furthermore, we are also expecting a proposal shortly from Wilson Parking to extend its lease and Insurance Australia are close to renewing for five years over approximately 2,200 sqm on level 7 as well. If all are finalised, new leases will be secured over approximately 50% of the property's gross income and 34% of the NLA with the next major expiry not until 31 December 2024 (Beach Energy – 1,072 sqm).

We look forward to providing investors an update on these transactions and any other leasing progress in the September 2021 Quarterly Fund Update.

Property Statistics

	Initial ¹	Jun 20	Dec 20
Net Asset Backing	\$0.95	\$0.90	\$0.90
Portfolio Occupancy Rate	100%	100%	100%
Weighted Average Lease Expiry (WALE) (years)	4.0	3.2	2.7

¹ Based on the Product Disclosure Statement dated 14 August 2019.

Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$60.0m ¹	
Undrawn Amount	\$2.85m ¹	
Loan Expiry	30 Sep 2024	
% of Debt Hedged	100.0% ²	
Loan Value Ratio (LVR)	47.0% ³	57.5%
Interest Cover Ratio (ICR)	5.17 ⁴	2.00

¹ As at 31 May 2021.

² The Fund's drawn debt is fully hedged at a rate of 0.86% p.a. until 30 September 2022.

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 \$57.15 million, which is 100% hedged at a fixed rate of 0.86% (in addition to the bank margin of 1.50%) until 30 September 2022, with the ability to draw an additional \$2.85 million for future leasing related costs and base building capital expenditure.

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.

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