

Centuria

Quarterly Fund Update
June 2021

Centuria 80 Grenfell Street Fund

(ARSN 626 187 022)

Key Points

- FY22 distributions forecast to increase from 7.40 cents per unit to 8.00 cents per unit (annualised).
- Tenant demand for prime new generation assets within the core of the Adelaide CBD remains strong.
- The property is 100% leased with a weighted average lease expiry of approximately 4.51 years.

Fund Summary

Distributions for the **Centuria 80 Grenfell Street Fund** (Fund) continue to be paid at 7.40 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, 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	23 July 2018
Unit Price	\$1.01 ¹
Net Asset Backing (NAB)	\$0.97 ²
Distribution Rate (cents per unit)	7.40 ³
Weighted Average Lease Expiry (WALE) (years)	4.51 ⁴
Next Investor Vote on Term of Fund	23 July 2023

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 \$0.98.

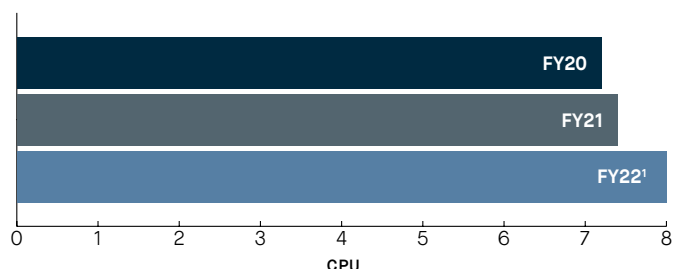
3 June 2021 quarter, annualised.

4 As at 30 June 2021.

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 over five years.

Distribution Details

Annualised Distribution



1 Forecast (annualised).

The distribution rate for the 2022 financial year is forecast to increase from 7.40 cents per unit to 8.00 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

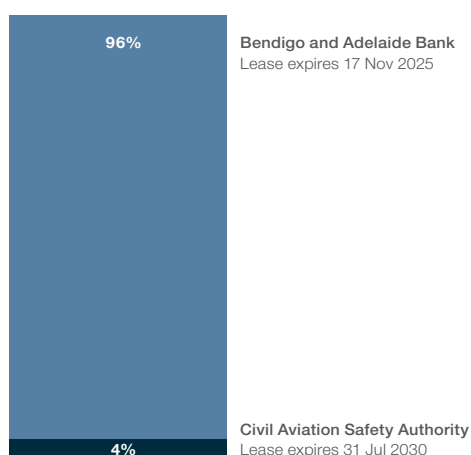
Asset Values¹

Property Address	80 Grenfell Street, Adelaide SA
Purchase Price (Jul 18)	\$92.3m
Previous Valuation – Directors' (Jun 20)	\$95.0m
Current Valuation (Dec 20)	\$95.5m
Cap Rate (Dec 20)	6.00%
Valuer	Savills

¹ Figures based on the Fund's 50% interest in the property.

The property was subject to an independent 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 Tenants by Net Lettable Area (NLA)



The property is currently 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 4.51 years as at 30 June 2021. The tenants continue to pay rent in a timely manner.

Property Statistics

	Initial ¹	Jun 20	Dec 20
Net Asset Backing	\$0.93	\$0.97	\$0.97
Property Occupancy	100% ²	100%	100%
Weighted Average Lease Expiry (WALE) (years)	7.30 ²	5.50	5.00

¹ Based on the Product Disclosure Statement dated 4 June 2018.

² Includes an 18-month rental guarantee over the vacant area of approximately 889 sqm on level 4, which expired on 22 January 2020.

Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$42.2m ¹	
Undrawn Amount	\$650,000 ¹	
Loan Expiry	23 July 2023	
% of Debt Hedged	100% ²	
Loan Value Ratio (LVR)	43.5% ³	57.5%
Interest Cover Ratio (ICR)	4.61 ⁴	2.00

¹ As at 31 May 2021.

² The Fund's drawn debt is fully hedged at a rate of 0.62% p.a. until 23 July 2023.

³ The LVR is based on the Fund's 50% interest and 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 \$41.5 million, which is 100% hedged at a fixed rate of 0.62% (in addition to the bank margin of 1.70%) to ensure security of interest costs. The facility also provides the ability to draw an additional \$650,000 for capital expenditure and leasing-related items.

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.