

# Centuria

Quarterly Fund Update  
December 2020

## Centuria ATP Fund

(ARSN 610 104 320)

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### Key Points

- 96.2% occupied with a c.6.25-year Weighted Average Lease Expiry by income as at 31 December 2020
- December 2020 quarter distribution remains at 11.75 cents per unit (annualised)
- The development application to refurbish and reposition 6 Cornwallis Street has been submitted.
- A Notice of Meeting to vote on the Fund's future will be issued to investors early 2021.

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### Fund Summary

Distributions for the **Centuria ATP Fund** (Fund) continue to be paid at 11.75 CPU (annualised) for the December 2020 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](http://CenturiaInvestor.com.au).

As previously communicated, as the Fund Term expires in late April 2021, it is anticipated Investors will receive a Notice of Meeting to vote on the Fund's future in early 2021.

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 Directors' 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 [CenturiaInvestor.com.au](http://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.

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### 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	22 April 2016
Net Asset Backing (NAB)	\$2.00 <sup>1</sup>
Distribution Rate (cents per unit)	11.75 <sup>2</sup>
Weighted Average Lease Expiry (WALE) (years)	6.25 <sup>3</sup>
Next investor vote on term of fund	21 April 2021

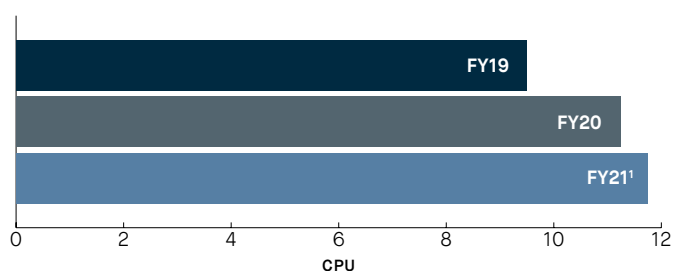
1 Based on the most recent audited accounts as at 30 June 2020 and after deducting the \$0.47 early return of capital made in February 2020. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would be \$2.02.

2 December 2020 quarter, annualised.

3 As at 31 December 2020.

## Distribution Details

### Annualised Distribution



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

The distribution rate of 11.75 CPU (annualised) is in line with the 2021 financial year forecast. This forecast distribution rate reflects the Fund's current performance and assumes 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.

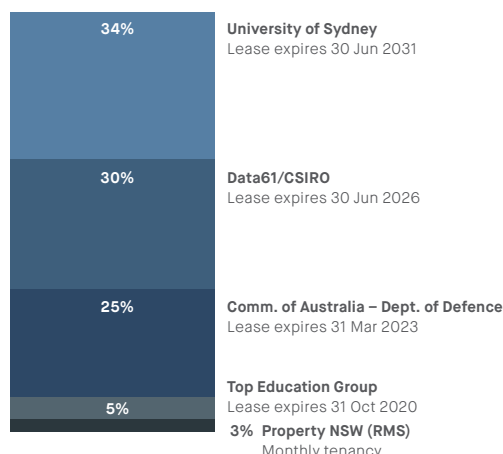
## Property Details

### Asset Values

Property Addresses	13 Garden St, Eveleigh NSW	1 Central Ave, Eveleigh NSW	6 Cornwallis St, Eveleigh NSW	Portfolio
Purchase Price (Apr 16)				\$104.0m
Previous Valuation (Dec 19)	\$128.0m	\$93.0m	\$8.2m	\$229.2m
Current Valuation (Jun 20)	\$128.3m	\$98.5m	\$8.0m	\$234.8m
Cap Rate (Jun 20)	5.75%	5.50%	5.25%	
Valuer	Directors'	Directors'	Directors'	

The properties were subject to Directors' valuations for the purposes of the 30 June 2020 audited financial report. The key metrics of the valuations are outlined in the table above. The 31 December 2020 valuation result will be provided in the March 2021 Quarterly Fund Update.

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



The portfolio is currently 96.2% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 6.25 years as at 31 December 2020.

## Property Statistics

	Initial <sup>1</sup>	Dec 19	Jun 20
Net Asset Backing	\$0.94	\$2.48	\$2.00 <sup>2</sup>
Portfolio Occupancy	100.0%	98.4%	98.4%
Weighted Average Lease Expiry (WALE) (years)	4.84	7.09	6.92

1 Based on the Product Disclosure Statement dated 1 February 2016.

2 After deducting the \$0.47 early return of capital made in February 2020.

## Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$98.7m	
Undrawn Amount	\$7.9m <sup>1</sup>	
Loan Expiry	17 December 2021	
% of Debt Hedged	91.6% <sup>2</sup>	
Loan Value Ratio (LVR)	39.6% <sup>3</sup>	55.0%
Interest Cover Ratio (ICR)	5.26 <sup>4</sup>	1.95

1 As at 30 November 2020.

2 The Fund's drawn debt is 91.6% hedged until 18 December 2021.

3 The LVR is based on the most recent independent valuations as defined under the debt facility agreement.

4 The stated ICR figures are based on the most recent audited accounts as at 30 June 2020.

The Fund's loan facility expires on 17 December 2022 and its drawn debt remains at \$90.7 million, which is 91.6% hedged at a fixed rate of 0.89% (in addition to the bank margin of 1.40%) until 18 December 2021. There is also the ability to draw an additional \$7.9 million for future leasing related costs and base building capital expenditure.

Under the debt facility terms, 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 30 June 2020, the Fund remains compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Value Ratio (LVR).

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## RG46 Statements

The latest RG46 Statement for the Fund is available at [CenturiaInvestor.com.au](https://www.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

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## Centuria Investor Website

You can access all information relating to your Centuria investments at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au).

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## 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).