

Centuria

Quarterly Fund Update
September 2020

Centuria Healthcare Medical Development Fund No.1

Key Points

- As at 30 June 2020, the Fund's Net Asset Value (NAV) is \$0.8661 cents per unit (CPU).
- Ministerial Infrastructure Designation (MID) process approval is underway.
- Functional briefs are being prepared prior to progressing to non-binding heads of agreement with the proposed anchor tenant.
- Negotiations with anchor tenant on commercial terms continue to progress.
- The Centuria Heathley Medical Development Fund No.1 is now known as the Centuria Healthcare Medical Development Fund No.1.

Fund Summary

Pleasingly, the project has received acceptance into the MID process. The MID process is an approval direct from the State Government, which will allow a hospital to be incorporated into the existing property, without the requirement for further development approval that would otherwise be required under the Planning Act. Significantly, there are no appeal rights applicable to infrastructure designation decisions.

Discussions with the proposed anchor tenant have been progressing, with feedback on the draft pro-forma functional briefs, accommodation schedules and FF&E schedules received. A non-binding Heads of Agreement (HOA) is being negotiated and is expected to be finalised by October 2020.

The ongoing discussions and resulting revised brief (to ensure the space planning and operational requirements for the project is suitable to the anchor tenant's needs) have resulted in a slight delay to the proposed timetable. Importantly, the critical path of construction timing has been brought forward, with a targeted practical completion date of November 2022. A summary of the current indicative timetable is presented below.



Item	Description	Indicative Timing	Comments
1	Prepare revised planning submission	Jul 2020 - Aug 2020	MID submitted
2	Submit revised planning application	Aug 2020	MID submitted Estimated 6 month approval period
3	Negotiate and finalise non-binding Heads of Agreement (HOA)	Sept 2020 - Oct 2020	Draft HOA has been updated based on revised anchor tenant brief.
4	Negotiate binding Agreement for Lease (AFL), subject to conditions precedent (e.g. MID approval)	Oct 2020 - Nov 2020	Process and timing to confirmed and agreed
5	Prepare construction tender documentation and healthcare company warm shell fitout (separate work packages) and tender period	Nov 2020 - Dec 2020	Process and timing to confirmed and agreed
6	MID approval received	Feb 2021	QLD Government is in caretaker mode from October 2020
7	Construction period	Feb 2021 - Nov 2022	Program of works TBC
8	Anchor tenant integrated fitout period	May 2022 - Dec 2022	Program of works TBC
9	Practical Completion/Testing & Commissioning/Handover to anchor tenant	Nov 2022	

In addition to the discussions with the proposed anchor tenant, leasing discussions with other occupiers for the balance of the property have re-commenced, which were deferred as a result of the COVID-19 pandemic. A slow development supply of commercial office space in Brisbane throughout the past 12 months is expected to support positive traction on leasing discussions over the course of the next six months. A key milestone will be securing a non-binding agreement for lease with the anchor tenant, which is expected to generate heightened attraction to the balance of the property.

Centuria Capital Group joined forces with Heathley Limited in 2019 to create a specialist healthcare real estate funds platform. The rebranding to Centuria Healthcare signifies the beginning of an anticipated growth period. To create consistency across all the healthcare funds, several fund names will change to reflect the rebranding. The Centuria Heathley Medical Development Fund No.1 is now known as the Centuria Healthcare Medical Development Fund No.1. The abbreviation, CHMDF1, will remain unchanged.

Financial Snapshot

Fund Commencement Date	11 April 2017
Net Asset Value (NAV) (\$ per Unit)	\$0.8661 ¹
Investor Equity (drawn) (\$m)	15.25

¹ Based on the accounts as at 30 June 2020.

During the quarter, the Project successfully refinanced its existing \$6.215 million debt facility from Balmain to Rainfall Pty Limited (Rainfall), at a significantly lower interest rate of 9.00% per annum (previously 12.00% per annum). The new Rainfall facility has a loan to value ratio (LVR) covenant of 60%, compared to a current LVR of 55%, based on the current independent valuation of \$11.3 million. The term of the new Rainfall facility is 12 months, which will provide sufficient time to receive MID approval and complete the required leasing pre-commitments, prior to a sale to a third party.

Key Development Milestones

Milestone	Progress	Information Memorandum	Date
Development Application Approval	Completed	Dec 2017	Mar 2019
MID Approval	Progressing	N/A	Expected Feb 2021
Commencement of Construction	Not Commenced	Jul 2017	Expected Feb 2021
Practical Completion	Not Commenced	Sept 2018	Expected Nov 2022
Expiry of Investment Term	Progressing	Jun 2019	TBA ¹

¹ The expiry of the investment term is dependent on a number of factors, including the type of sale (as-is, fund-through or turn-key) and whether a rental guarantee is agreed with the buyer of the property.

Property Details

ASSET VALUES

Property Addresses	52-64 Annerley Road, Woolloongabba QLD
Current Valuation (May 19)	\$11.3m
Cap Rate (May 19)	N/A
Valuer	HTW

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** or by email on **Property.Enquiry@CenturiaInvestor.com.au**.

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