

Centuria

Quarterly Fund Update
June 2021

Centuria Sandgate Road Fund

(ARSN 618 152 702)

Key Points

- FY22 distributions forecast to increase from 6.88 cents per unit to 7.75 cents per unit (annualised).
- Lease renewal completed to four of the eight retail tenants over the past 12 months.
- The property is 100% leased with a weighted average lease expiry of approximately 5.55 years.

Fund Summary

Distributions for the **Centuria Sandgate Road Fund** (Fund) have been increased to 7.50 cents per unit (annualised) for the March 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 JLL Research, the vacancy rate within the Brisbane Near City market remained relatively unchanged during the March 2021 quarter at 17.5%. However, approximately 90,770 sqm of supply (45% pre-committed) is currently under construction, which is anticipated to put further pressure on headline vacancy over the next two years. A majority of these projects will be delivered in 2021 (48%) and are spread across the Fortitude Valley, Spring Hill and South Brisbane.

As a result of this supply pipeline, prime gross rents are forecast to remain stable over the balance of 2021 before increasing by an average of 0.4% per annum over the next five years.

Prime yields within the Brisbane Near City market compressed 25 basis points on the lower end of the range to between 5.75% and 7.25% during the March 2021 quarter, which reflects continued investor demand for premium assets. Appetite for yield and risk-adjusted returns is also expected to persist in the Near City with JLL Research expecting yields to continue at this level until the end of 2023.



Financial Snapshot

Fund Commencement Date	7 July 2017
Net Asset Backing (NAB)	\$0.88 ¹
Distribution Rate (cents per unit)	7.50 ²
Weighted Average Lease Expiry (WALE) (years)	5.55 ³
Next investor vote on term of fund	7 July 2023

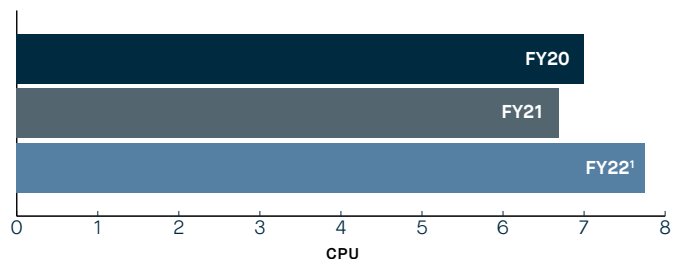
¹ Based on the most recent audited accounts as at 31 December 2020. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would be \$0.91.

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 6.88 cents per unit to 7.75 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.

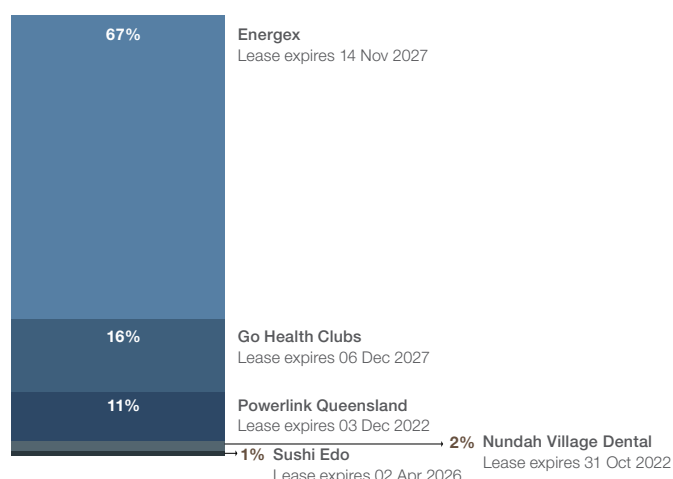
Property Details

Asset Values

Property Address	1231-1241 Sandgate Road, Nundah QLD
Purchase Price (Jul 17)	\$106.3m
Previous Valuation – Directors' (Jun 20)	\$109.0m
Current Valuation (Dec 20)	\$109.0m
Cap Rate (Dec 20)	6.25%
Valuer	Cushman and Wakefield

The property was subject to an independent valuation for the purposes of the 31 December 2020 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 5.55 years as at 30 June 2021.

We are pleased to report that terms have been agreed with Zambrero for a new seven year lease over 70 sqm, which is the fourth ground floor retail tenancy that has been extended and equates to a total of approximately 363 sqm in transactions being completed over the past 12 months. This is an excellent result for the fund and only leaves the impending expiries of Burger Urge (83 sqm) and QSuper (90 sqm) to be addressed in the 2022 financial year.

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

Property Statistics

	Initial ¹	Jun 20	Dec 20
Net Asset Backing	\$0.90	\$0.87	\$0.88
Property Occupancy	100%	100%	100%
Weighted Average Lease Expiry (WALE) (years)	9.40	6.35	5.90

¹ Based on the Product Disclosure Statement dated 7 April 2017.

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Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$48.3m ¹	
Undrawn Amount	\$0.50m ¹	
Loan Expiry	7 July 2022	
% of Debt Hedged	100% ²	
Loan to Value Ratio (LVR)	43.9% ³	57.5%
Interest Cover Ratio (ICR)	4.32 ⁴	2.00

¹ As at 31 May 2021.

² The Fund's drawn debt is fully hedged at a rate of 2.10% until 7 July 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 \$47.8 million, which is 100% hedged at a fixed rate of 2.10% p.a. (in addition to the bank margin of 1.80% p.a.) until 7 July 2022, with the ability to draw an additional \$500,000.

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.