

Centuria

Quarterly Fund Update
March 2021

Centuria Sandgate Road Fund

(ARSN 618 152 702)

Key Points

- As at 31 December 2020, the Fund's Net Asset Backing (NAB) is \$0.88
- Distributions for the March 2021 quarter increased from 6.50 cents per unit to 7.50 cents per unit (annualised)
- Leases extended for three ground floor retail tenancies

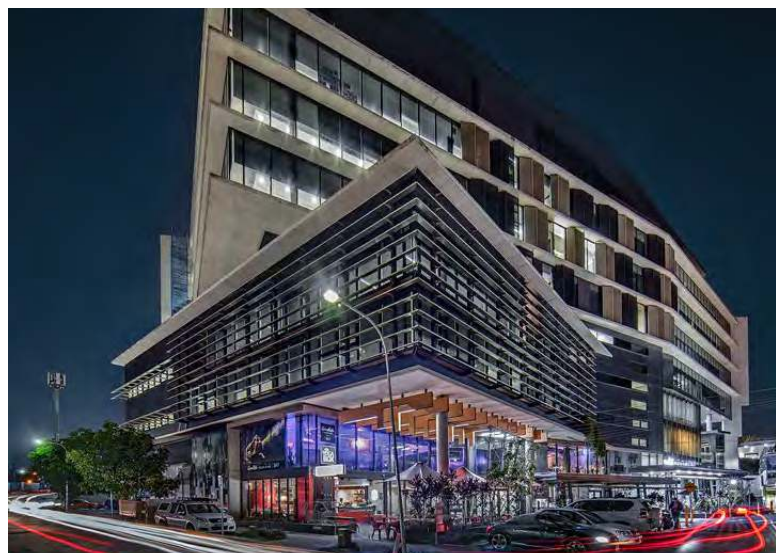
Fund Summary

Distributions for the **Centuria Sandgate Road Fund** (Fund) increased to 7.50 cents per unit (annualised) for the March 2021 quarter, which is in line with the 2021 financial year forecast. The corresponding distribution statement for the Fund can be accessed from the online investor portal at CenturiaInvestor.com.au.

According to JLL Research, the COVID-19 pandemic continues to significantly impact the Brisbane Near City market with headline vacancy increasing by 1.9% to 17.7% during the December 2020 quarter. As a result of these subdued leasing conditions, combined with several speculative developments entering the market in the short term, this level of vacancy is anticipated to persist for some time. This is also anticipated to put pressure on rents. However, positive net absorption of approximately 30,000 sqm is expected to return during 2022.

Prime and secondary yields were stable during the December 2020 quarter with mid points of 6.63% and 6.88%, respectively. Transaction volumes remain below average, however, investment activity has picked up and capital in search of yield and risk-adjusted returns is expected to persist within the Brisbane Near City market, particularly for prime assets. JLL Research is forecasting average prime yields to tighten during 2022-2023 to 6.50% as investment demand recovers.

The 31 December 2020 audited financial report is now available to download from the online investor portal at CenturiaInvestor.com.au. The report confirms the Fund's NAB per unit increased slightly from \$0.87 (as at 30 June 2020) to \$0.88 (as at 31 December 2020). The increase is predominately due to the Fund growing its cash position since rent collections were better than anticipated during the COVID-19 pandemic, particularly in the third quarter of the 2020 calendar year. Importantly, given the significant reduction in interest rates, the Mark to Market value of the Fund's derivative instruments results in approximately \$0.03 being deducted from the NAB. As previously outlined, the \$1.68 million reduction from the Fund's net assets is only materialised if the five-year swap is broken prior to its expiry on 7 July 2022. This amount will also reduce as the remaining term on the debt facility diminishes. However, it may fluctuate depending on the interest rate movement.



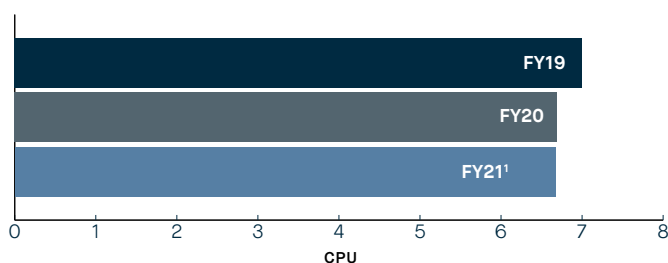
Financial Snapshot

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)	5.85 ³
Next investor vote on term of fund	7 July 2023

- 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.
- March 2021 quarter, annualised.
- As at 28 February 2021.

Distribution Details

Annualised Distribution



- FY21 distribution rate forecast is based on FY21 actual and June 2021 quarter forecast (annualised).

As advised within the December 2020 Quarterly Fund Update, the distribution rate for the March 2021 quarter increased from 6.50 cents per unit (annualised) to 7.50 cents per unit (annualised) due to improved trading conditions for retail tenants within Brisbane and the expiry of the Code of Conduct for commercial tenancies on 31 December 2020 in Queensland.

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.

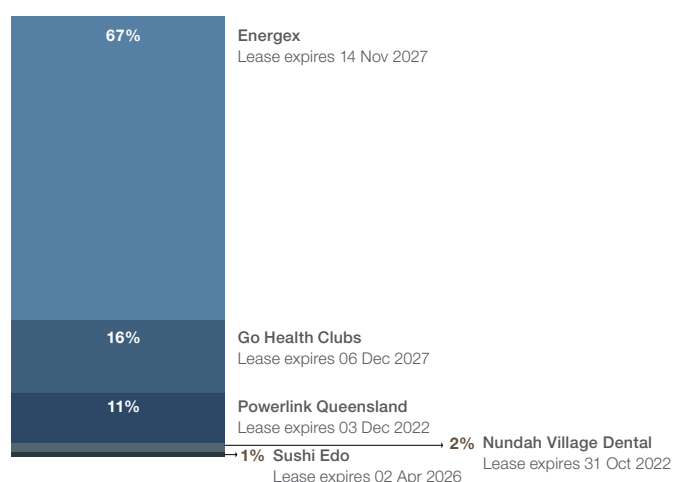
Property Details

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 31 December 2020 financial report. The key metrics of this valuation are outlined in the table above.

Top Five Tenants by Net Lettable Area (NLA)



The property is currently 100% occupied with a c. 5.85-year WALE by income as at 28 February 2021.

The Manager is pleased to report leases were executed to extend the terms of three ground floor retail tenancies: Studio Pilates (seven-year renewal over 101 sqm), Pizzalunga da Carlo (five-year renewal over 81 sqm) and Sushi Edo (five-year renewal over 113 sqm). This is an excellent result for the Fund and investors will receive an update on any further leasing progression in the June 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.

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 28 February 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.