Core Property
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Unlisted Property Fund Report

Centuria Primewest Allendale Square Fund

October 2022

Prominent Perth CBD office fund targeting initial distributions of 7.25% p.a.

for wholesale or sophisticated investors only

Centuria Primewest Allendale Square Fund

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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Centuria Primewest Allendale Square Fund

The Centuria Primewest Allendale Square Fund (“the Fund”) is a single asset, closed-end unlisted property fund that provides an opportunity to invest in an A-grade office tower located in the Perth CBD.

The Fund aims to deliver a regular income stream for investors and the potential for capital growth, subject to the Manager’s delivery of its targeted strategy. The Manager and Trustee, Primewest Management Ltd (“the Manager”) is a wholly owned subsidiary of Centuria Capital Group (ASX: CNI) a leading property fund manager in Australia and New Zealand.

The Manager is seeking to raise $70.0M through the offer of 70.0M units at $1.00 per unit (“the Offer”). The Offer is open to wholesale investors only under the terms of the Information Memorandum. The funds raised will be used to acquire a 50% interest in Allendale Square, 77 St George’s Terrace, Perth WA (“the Property”) with the remaining interest to be owned by a fund managed by MA Financial Group (ASX: MAF).

The Property is a 31-level A-grade office tower in a core location within the Perth CBD. The Property offers 28,653 sqm of net lettable area primarily as office space (89% of NLA) and retail (11% of NLA). The Manager intends to reposition the Property to further capitalise on its prominent and central location and is well placed to benefit from the flight to quality of tenants in the Perth office market.

The Property is 85.1% occupied with the vendor providing a 2-year rental guarantee on unoccupied space. This provides scope for the Manager to target higher occupancy levels over time, as the Property has previously recorded occupancy levels of 90.5% - 97.9% before 2020. Around 48% of the building is leased to legal services tenants, as the Property enjoys close proximity to the Supreme Court of WA.

The Fund will have a debt facility with an initial Loan to Valuation Ratio (LVR) of 47.5% against an LVR covenant of 65%. The Manager has factored in an all-in-cost of debt of 5.14% p.a. for FY23.

Fees charged by the Fund are at the low end of what Core Property has seen in the market.

The Manager is forecasting initial distributions of 7.25% p.a. (annualised) for the 7 months to June 2023. The distribution is in line with the Property’s capitalisation rate of 7.25%. Distributions are paid monthly.

In line with Core Property’s research process of using the terminal yield to be the same as the acquisition yield, the Fund is estimated to deliver a five-year Internal Rate of Return (IRR) of between 6.2% p.a. and 8.6% p.a. (midpoint 7.5% p.a.). Investors should note the Manager is targeting an IRR of 11.0% p.a., based on the successful execution of its strategy to deliver a rerating of the Property as a result of the Property being purchased at an attractive price based on recent transactions. The Manager also expects the Fund to benefit from its strategy to grow income and potentially benefit from long-term movements in the property cycle (see the Financial Analysis section). Investors should be aware the Fund is exposed to a capital gain or loss based on the sale price of the asset and the overall market conditions, which may deliver an IRR outside this range.

Core Property considers the Fund will appeal to wholesale investors who are willing to invest in a CBD office property over the long term. Distributions are dependent on the Manager’s ability to deliver on its targeted rental income growth. Capital returns will be driven by the Property’s income profile as well as market movements in valuations. The Fund is illiquid, and investors should expect to remain invested for the initial five-year term. Investors should be aware the Fund will own a 50% interest in the Property under a Tenants in Common structure, which allows the Manager to sell the 50% interest after the initial five-year term.

October 2022

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Fund Details	
Offer Open:	4 October 2022
Offer Close:	21 October 2022[1]
Min. Investment:	$100,000[2]
Unit Entry Price:	$1.00 per unit
Net Tangible Asset per unit:	$0.89 per unit
Liquidity:	Illiquid
Forecast Distributions:	FY23 = 7.25 cpu[3] (annualised)
Distribution Frequency:	Monthly
Initial Investment Period:	5 years to Dec 2027

1. The Manager may shorten or extend the Offer period at its discretion, subject to commitments.
2. The Manager may accept lower amounts at its discretion.
3. Manager’s forecasts.

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Fund – Website

www.centuria.com.au

This report is based on the Centuria Primewest Allendale Square Fund Information Memorandum dated 4 October 2022, together with information provided by Centuria.

Key Considerations

Management: Centuria is a well-regarded fund manager with a solid track record of managing property funds, corporate governance, and maintaining and improving occupancy rates. Since 1999 Centuria has completed 44 funds delivering a weighted average total return of 16.8% p.a. and an average total return of 15.3% p.a.

Fund Structure: The Fund will own a 50% interest in the Property by way of a Tenants in Common structure. The other 50% will be owned by a fund managed by MA Financial Group (ASX: MAF), the MA Allendale Square Fund. The structure allows each Co-Owner to dispose of their ownership interest separately. A Co-Owner's Agreement will be in place to manage the relationship. Debt will be held separately by each Co-Owner.

Fund Strategy: The Fund aims to provide investors with a regular income stream through monthly distributions, with the potential for capital growth. The Manager aims to reposition the Property as one of Perth's premier office addresses with proactive asset management and leasing strategy. A capital expenditure program will be undertaken to maximise the rental income and value of the Property for investors.

The Property: Allendale Square, 77 St Georges Terrace, Perth WA is an A-grade 31-level office tower located in the Perth CBD. Constructed in 1976 the Property provides 28,653 sqm of space, with space for 84 vehicles. The majority of the space is office accommodation (89%) with floor plates of 860 sqm. Around 11% of the space is retail, located as part of "the Underground" retail arcade. The Property is located in the core CBD district and is currently 85.1% occupied, with a weighted average lease expiry (WALE) of 5.9 years. Around 48% of the Property is leased to legal services tenants, with the Property being in close proximity to the Supreme Court of WA.

Debt Profile: The Manager has credit approved terms for a three-year debt facility for its 50% interest. The initial Loan To Value Ratio (LVR) is expected to be 47.5% against a bank LVR covenant of 65%. The Manager is budgeting for an all-in interest cost of 5.14% p.a. in FY23.

Initial NTA: The Fund's initial NTA is $0.89 per unit, with most of the dilution coming from stamp duty costs.

Distributions: The Manager is forecasting an initial distribution yield of 7.25% p.a. (annualised) for the 7 months to June 2022. Distributions are paid monthly.

Fees: Fees are at the low end of what Core Property has seen in the market (*see Fees in Perspective*).

Total Returns: Core Property estimates the Fund to deliver a five-year IRR of 6.2% - 8.6% p.a. (midpoint 7.5% p.a.) based on Core Property's process of assuming a terminal capitalisation rate in line with the acquisition capitalisation rate. Investors should note the Manager is targeting its strategy to deliver an IRR of 11.0% p.a., based on the acquisition of the Property at a relatively attractive price as evidenced by recent transactions, combined with the Manager's strategy to improve rental income as well as potential benefits from long-term movements in the property the cycle (see the *Financial Analysis section*). Investors should be aware the Fund is exposed to a capital gain or loss based on the sale price of the asset and the overall market conditions, which may deliver an IRR outside this range.

Illiquid investment: The Fund has an initial investment period of five years and should be considered as illiquid. The Co-Owners agreement does not allow the Fund to sell the Property to a third party within the initial five-year term.

Investment Scorecard

Management Quality

★★★★★

Governance

★★★★☆

Asset Quality / Portfolio

★★★★☆

Income Return

★★★☆☆

Total Return

★★★★☆

Gearing

★★★☆☆

Liquidity

★☆☆☆☆

Fees

★★★☆☆

Key Metrics

Fund Structure	
An unlisted property fund acquiring a 50% interest in an A-Grade, multi-tenanted CBD office building in Perth, Western Australia.	

Management
The Fund is managed by Primewest Management Ltd, which is a 100% owned subsidiary of ASX-listed Centuria Capital (ASX: CNI), a highly regarded and experienced real estate manager. Centuria has a successful track record of delivering strong investor returns for over 22 years, with $20.6B of assets under management, with $19.8B of real estate assets held in listed and unlisted funds.

Property Portfolio	
No. of Properties:	1
Valuation:	$223.0M (100% interest) $111.5M (50% interest)
Property Location:	Allendale Square, 77 St Georges Terrace, Perth WA
Property Sector:	Office
Key Tenants:	WA Bar Chambers (21.1% of NLA), Minter Ellison (11.5% of NLA)
Occupancy:	85.0% (100% with 2-year rental guarantee)
WALE:	5.8 years (by income) as 1 December 2022

Return Profile	
Forecast Distribution:	FY23: 7.25% p.a. (annualised) FY24: 7.25% p.a.
Distribution Frequency:	Monthly
Tax advantage:	Estimated 100% tax deferred
Estimated Levered IRR (pre-tax, net of fees):	■ Core Property estimates an IRR of 6.2%-8.6% (midpoint 7.5% p.a.) based on a +/- 25bps movement in the capitalisation rate. ■ The Manager is targeting an IRR of 11.0% p.a. over 5-years, based on its strategy and a -87.5bps movement in capitalisation rate.
Investment Period:	5 years (Initial Fund Term)

Risk Profile	
Property/Market Risk:	Capital at risk will depend on an office building in the CBD of Perth, WA. Investors will be exposed to a potential capital gain or loss, based on market conditions.
Interest Rate Movements:	A change in interest costs may impact the distributable income and total returns for investors.
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand.

For a more detailed list of the key risks, refer to the "Risks" section of the Information Memorandum.

Fees Charged	
Entry Fees:	Nil
Exit Fees:	Nil
Establishment Fee (Acquisition Fee):	1.5% of the purchase price.
Divestment Fee (Disposal Fee):	2.0% of the sale price.
Management Fees:	- Management Fee: 0.65% p.a. of GAV. - Property Expenses: 0.11% p.a. (est.) of GAV
Performance Fee:	20% of the outperformance over an IRR of 8.0%.

Debt Metrics – indicative terms	
Initial Debt / Facility Limit:	$53.0M / $63.6M (Fund's 50% interest)
Loan Period:	3 years
Initial LVR / Peak LVR / LVR Covenant:	47.5% / 50.6% / 65%
Initial ICR / Lowest ICR/ ICR Covenant:	3.1x / 2.8x /1.75x

Legal	
Offer Document:	Centuria/Primewest Allendale Square Fund Information Memorandum, dated 4 October 2022.
Wrapper:	Unlisted Property Trust
Trustee and Manager:	Primewest Management Ltd (ABN 63 091 415 833, AFS License 250963)

Fund Overview

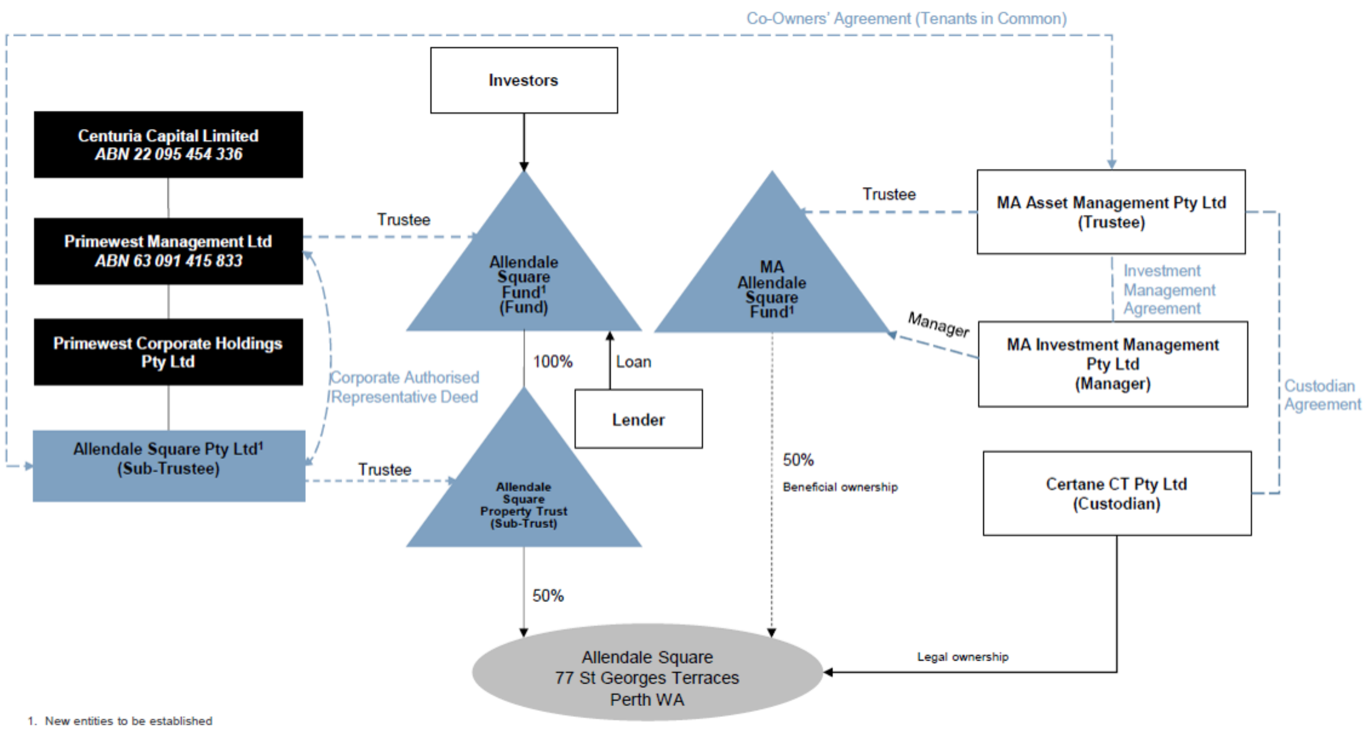
The Fund is a closed-ended, single asset, unlisted property fund that seeks to invest a 50% share in Allendale Square, located at 77 St Georges Terrace, Perth WA ("the Property"). Centuria/Primewest ("the Manager") is seeking to raise $70.0M in equity through the issue of up to 70.0M units at $1.00 per unit ("the Offer"). The Offer is available to wholesale and sophisticated investors only, with a minimum investment of $100,000.

The Property is a 31-level A-Grade office building located in the heart of the Perth CBD. Constructed in 1976, the Property has had refurbishments in 2016 and currently offers 28,653 sqm of net lettable area (NLA). Around 89% of the NLA relates to office space with 11% retail. Located in a prime position on the intersection of St Georges Terrace and Sherwood Court, the Property is being acquired on a capitalisation rate of 7.25%.

The Fund will own a 50% interest in the Property by way of purchasing all the units in the Allendale Square Property Trust ("the Sub-Trust"), which will in turn own a 50% interest in Allendale Square. The other 50% interest will be held by a fund managed by MA Financial Group (ASX: MAF), the MA Allendale Square Fund as Co-Owner. The 50% interests will be under a Tenants in Common ownership structure, providing flexibility for each Co-Owner to dispose of their interests individually. A Co-Owners Agreement will be established to ensure the rights and obligations between each Co-Owner is equitable. The Fund will have a debt facility in place for its 50% interest in the Property, with debt held at the fund level.

The Fund pays distributions monthly. The Fund has an initial term of 5 years to December 2027, and may be extended by investor vote. Each one-year extension requires an ordinary resolution (50% of votes cast to be in favour) and an extension beyond seven years requires a unanimous resolution (100% of votes cast).

Figure 1: Fund structure



Source: Centuria/Primewest

Fund strategy

The Fund aims to provide Investors with a regular income stream (distributed monthly) with the potential for capital growth. The Manager has an asset management strategy to reposition Allendale Square as one of Perth's premier addresses on St George's Terrace. The strategy includes:

- A proactive asset management and leasing strategy which capitalises on the $62M capex previously spent in 2016. This includes implementing a high-quality speculative fit-out over the vacant suites to capture the flight to quality demand for office space. The Manager will also proactively approach existing tenants to ensure their lease expectations are met.
- A base building capital expenditure of $8.9M over five-years which includes a full refurbishment of levels 6-8 and staged refurbishments of levels 2-5 from February 2024 onwards.
- Further activation of the ground floor lobby and retail, improving end of trip facilities and upgrade of the base building plant.
- Working to improve the existing 4.0 star NABERS rating and ESG credentials.

The Manager's strategy is focussed on retaining and growing the rental income of the Property over the long term to maximise the value of the Property for investors.

Co-investment

The Fund will own a 50% interest in the Property by way of a Tenants in Common structure. The remaining 50% interest will be owned by a fund managed by MA Financial Group (ASX: MAF), an ASX-listed diversified financial services group. The Tenants in Common structure allows each Co-Owner of the Property to sell its ownership interest separately.

A Co-Owner's Agreement will be in place to govern the relationship between the Fund and the MA Financial Fund. The key aspects of the Co-Owner's Agreement are:

- The rights and obligations of each Co-Owner to the net earnings and agreed expenses of the Property based on their ownership share.
- The establishment of a Co-Owner's committee to review, consider and make determinations on the Property.
- Matters relating to the asset management of the Property.
- Neither Co-Owner may dispose of its 50% interest in the Property within the first five-years unless the disposal is to a related party of the Co-Owner.
- After five years, a Co-Owner may dispose of its interest to a related party or sell its interest to a third party. In the event of a sale to a third party, a first right of refusal will be granted to the non-selling co-owner.
- Drag and Tag Rights – each Co-Owner will have drag and tag rights. Drag rights allow a selling Co-Owner to force the sale of the non-selling Co-Owner's interest in the Property to the chosen purchaser. Tag rights allow a non-selling Co-Owner to participate in the sale of the selling Co-Owner's interest in the Property to the chosen purchaser.
- A non-selling Co-Owner cannot be compelled to sell its interest in the Property following the exercise of a drag right unless the proposed sale price is equal to or higher than the minimum drag price, being the acquisition value of the non-selling Co-Owner's interest plus the amounts of capital expenditure and incentives contributed or paid by the non-selling Co-Owner.

It is intended the Co-Owner's Agreement will be finalised by the date of settlement of the Property.

Liquidity / exit strategy

The Fund has an initial term of five years from the date of settlement (expected on 1 December 2022). Investors should view the Fund as illiquid in nature and expect to remain invested for the initial five-year term.

At the end of five years, Investors will have the opportunity to extend the Fund by two additional one-year periods. Each one-year period is subject to approval by an Ordinary Resolution (50% of votes cast in favour).

The Fund may be extended beyond seven, where a Unanimous Resolution (100% of votes cast in favour) is passed, or, where there is not a Unanimous Resolution, those who voted against the extension are provided the opportunity to exit the Fund at the prevailing Withdrawal Price. The Withdrawal Price is calculated by the net asset value of the Fund based on an independent valuation and takes into account estimated transaction costs.

The Perth CBD Office market

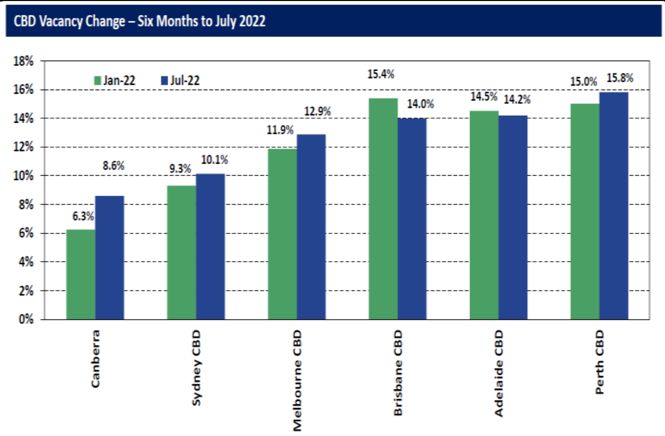
The Perth office market is highly reliant on the mining resource sector, which is the largest contributor of economic activity for Western Australia. During 2021 the WA economy recorded its strongest growth in nine years, with economic growth up by 6.6%, the third strongest growth nationally behind Tasmania (+8.4%) and the Northern Territory (+8.3%). The strength of the economy is also reflected in low unemployment levels of 3.4% (March 2022) which are below the national unemployment rate of 4.0% and business confidence levels above pre-pandemic levels.

The Perth CBD office market comprises around 1.8 million sqm of office space and is the fourth largest office market in Australia behind the CBDs of Sydney, Melbourne and Brisbane. Whilst Perth CBD office vacancy levels are at 15.8%, there is a strong flight to quality by tenants. This is evidenced by vacancies in premium grade space being at 4.8% compared to B-grade space showing 23.2% vacancy.

The strong WA economy continues to drive demand for quality office space. New development completions in 2023, are expected to keep vacancy levels high in the short term.

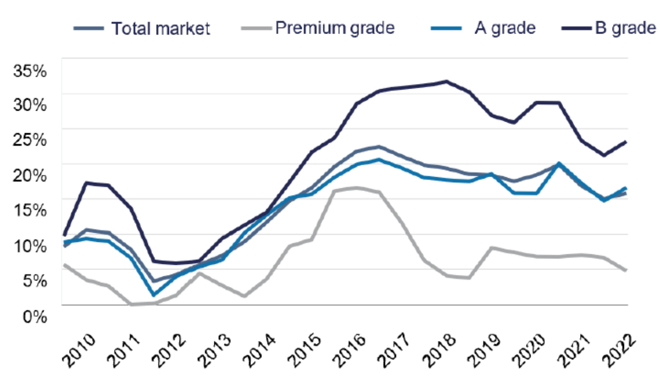
- Capital Square Tower 3 (16,000 sqm), Mounts Bay Road. The third tower which forms part of the new Capital Square Complex, anchored by Woodside.
- EQ West North (10,000 sqm), which forms part of a new wider development of apartments, hotel and office space in Elizabeth Quay.
- Westralia Square 2 (9,500 sqm). A new steel and timber development on the Westralia Square carpark
- Chevron, 1 The Esplanade (54,000 sqm). Chevron will occupy 45,000 sqm as its new headquarters, with Herbert Smith Freehills (legal firm) taking 7,000 sqm. Both tenants will relocate from 250 St Georges Terrace (QV1).
- Additionally, Brookfield has a 32,000 sqm development at 9 The Esplanade expected for completion in 2025.

Figure 2: CBD Vacancy Levels



Source: Property Council of Australia

Figure 3: Perth Vacancy – by grade



Source: Knight Frank

Figure 4: Perth CBD Office Market – as at July 2022

Summary of PCA Data - Office Market Report as at July 2022

Market	Total Stock (sqm)	Direct Vacancy (sqm)	Sub-lease Vacancy (sqm)	Total Vacancy Rate (%)	Net Supply 12 Months (sqm)	Net Absorption 12 Months (sqm)
Perth CBD						
Premium	413,152	19,163	731	4.8%	0	7,767
A Grade	639,431	103,879	2,307	16.6%	29,403	33,566
B Grade	572,405	132,130	581	23.2%	13,379	14,104
C Grade	170,533	25,486	0	14.9%	0	4,732
D Grade	7,808	1,037	0	13.3	86	986
Total	**1,803,329**	**281,695**	**3,619**	**15.8%**	**42,868**	**61,155**

Source: Knight Frank, Property Council of Australia

The Property

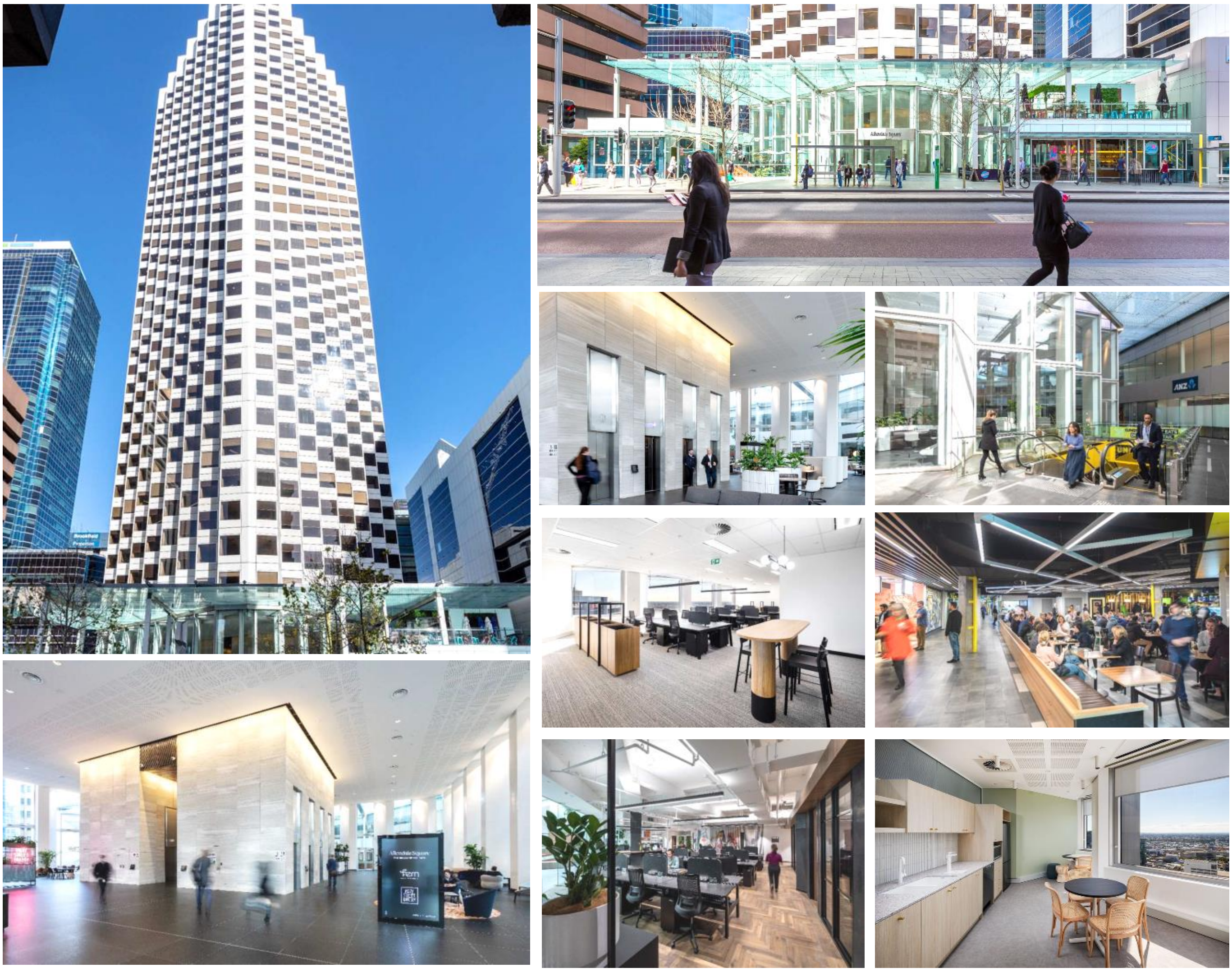
Allendale Square, 77 St Georges Terrace is a 31 storey A-grade commercial office building located in the Perth CBD, WA. The Property is centrally located in the core CBD district on the corner of St Georges Terrace and Sherwood Court. The Property is on a prime corner in the Perth CBD and sits above "The Underground" retail arcade.

Originally constructed in 1976 the Property offers 28,653 sqm of net lettable area (NLA) with 84 car parking spaces. The office floor plates are up to 860 sqm and are column free, around a central core, providing flexibility for tenants. Natural light is provided on all four sides with views from the upper levels. In 2016 the Property had an extensive $62M refurbishment with a new lobby, end of trip facilities and an outdoor dining area.

The Property is currently 85.1% occupied, with the vendor providing a rental guarantee for 2-years on the unoccupied space. The Property has a 4.0 Star NABERS Energy Rating and a 3.5 Star NABERS Water Rating.

The Property has a weighted average lease expiry (WALE) of 5.8 years, including the rental guarantee. Around 89% of the NLA is used for office space with the remaining 11% leased to retail tenancies. Around 48% of the NLA is leased to legal services tenants, due to the Property's close proximity to the Supreme Court of Western Australia, which is within 2 blocks distance. The largest tenant, the WA Bar Chambers accounts for 21% of NLA.

Figure 5: Allendale Square, 77 St Georges Terrace, Perth WA



Source: Centuria

Property Valuation

The Property has been assessed with an independent valuation valuing the Property at $223.0M (for 100% interest), in line with the acquisition price.

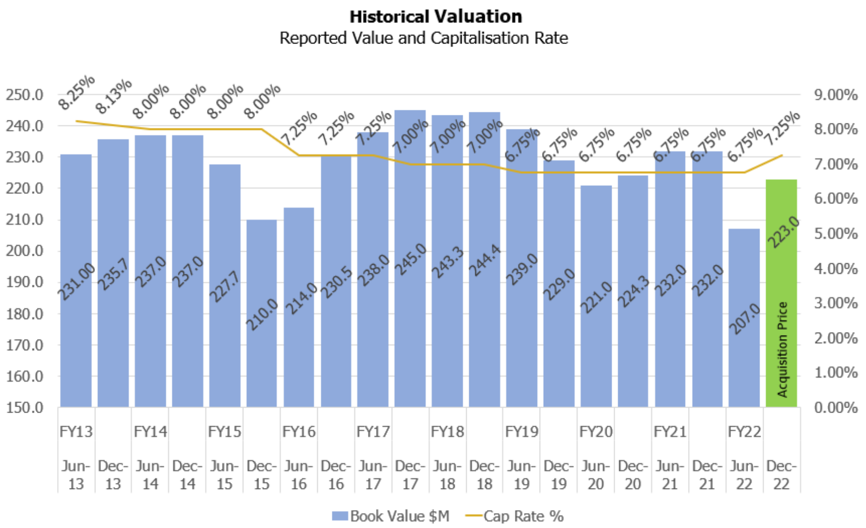
Figure 6: Valuation Metrics

Allendale Square, 77 St Georges Terrace, Perth WA	
Title	100% Freehold
Acquisition date:	1 December 2022 (expected settlement)
Ownership	50%
Site Area	4,057 sqm
Net Lettable Area	28,653 sqm
Major Tenants	WA Bar Chambers (21.1% of NLA) Minter Ellison (11.5% of NLA)
Weighted Average Lease Expiry	5.8 years (by income)
Occupancy	85.2% (by NLA)
Initial net passing income	$17.7M p.a.
Net Market income (fully leased)	$18.2M p.a.
Purchase price	$223.0M (100% interest)
Valuation	$223.0M (100% interest)
Passing initial yield	7.94%
Capitalisation rate	7.25%
Valuer	JLL
Valuer's Discount rate	7.75%
Value/sqm	$7,783 per sqm
Valuer's unleveraged 10-year IRR	7.77%

Source: JLL

Historical Valuation: The Property was acquired by Mirvac Group (ASX: MGR) in May 2013 as part of a portfolio of seven office assets purchased from GE Real Estate Investments Australia. The May 2013 acquisition price was $231.0M, which is 3.6% higher than the current acquisition price of $223.0M. Between June 2013 – June 2020, the Property reported occupancy levels of 90.5% - 97.9%. Since June 2020 the occupancy levels have been 75.5% – 87.0% with the current occupancy at 85.1%. The following is a summary of historical values of the Property as disclosed by Mirvac to the ASX.

Figure 7: Historical Value



Note: The Property was on the market for sale in Dec 2021 and, as such, the valuation is based on the June 2021 reported value. Source: ASX announcements for Mirvac (ASX: MGR).

Leases, tenants and income

The Property holds a diverse tenant mix with rental income from a pool of 49 tenants, including 32 office tenants and 17 retail tenants. The office area accounts for 25,494 sqm (or 89% of NLA) with retail being 3,159 sqm (or 11% of NLA). The retail space in the lower ground floor level has 13 occupied shops and 4 vacancies (which represent 164 sqm, or 0.6% of the NLA).

The top five tenants represent 43.1% of the NLA and 46.3% of net income. The largest tenant, the WA Bar Association (21.1% of net income) has a lease expiry in January 2031, which is outside the initial five-year term of the Fund.

The Property is being acquired with the vendor providing a 2-year rental guarantee over the vacant space.

- **WA Bar Association:** The Western Australian Bar was established in October 1963 as, and remains, a voluntary professional association of independent barristers. The WA Bar is committed to promoting the highest standards of competence and ethical practice in the provision of independent advocacy and advice services.
- **Minter Ellison:** Minter Ellison is Australia's largest law firm providing legal and consulting services through a global network of affiliated firms and associated companies. The group provides legal advice and support clients including, government, private and publicly listed companies, and small and large businesses in Australia and overseas.
- **Hopgood Ganim Lawyers:** Established in 1974, Hopgood Ganim Lawyers provides legal and advisory expertise across a broad range of sectors for clients locally and overseas. They operate a lean business model with 280+ staff, with offices in Perth and Brisbane.
- **Bank of China:** Bank of China Limited Sydney Branch was established in 1942 and was the first Chinese bank to establish operations in Australia. Bank of China offers a comprehensive range of financial products, and to date is the only Chinese bank operating in Australia holding a licence to deal with both retail and wholesale customers.
- **Argonaut:** Argonaut was established in 2002 with its Head Quarters in Perth. Argonaut is a trading participant of the ASX with Licences in USA & Canada. Argonaut is focused on Metals & Mining, Energy, Agribusiness, Businesses and Contractors that service the natural resource sector.

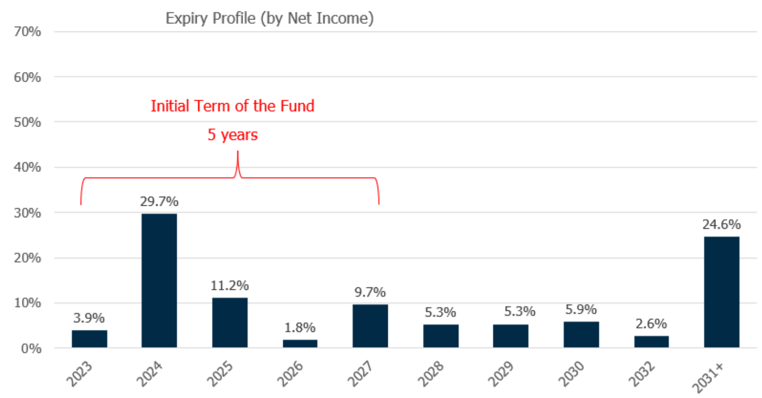
The Property has several key lease expiries in 2024-2025 where 40.9% of income fall dues, including Minter Ellison (11.9% of net income).

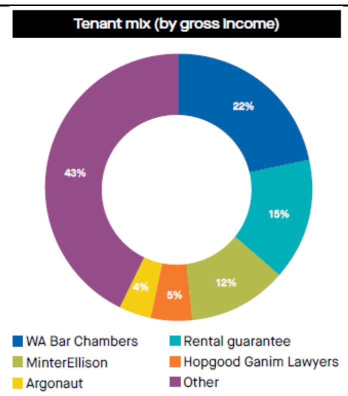
Figure 8: Key Tenant Metrics

Tenant	Area (sqm)	% of NLA	% of Net Income	Lease Commence	Lease Expiry
WA Bar Chambers	6,037	21.1%	21.4%	Feb 2016	Jan 2031
Minter Ellison	3,299	11.5%	11.9%	Mar 2019	Aug 2024
Hopgood Ganim Lawyer	1,280	4.5%	5.0%	Nov 2020	Nov 2030
Bank of China	862	3.0%	4.2%	July 2021	June 2031
Argonaut	860	3.0%	3.8%	Nov 2018	Nov 2028
Top 5	**12,338**	**43.1%**	**46.3%**		
Remaining tenants	16,315	56.9%	53.7%		
Total / Average	**28,653**	**100%**	**100%**		

Source: Centuria

Figure 9: Property lease expiry profile





Source: Centuria

Market Sales Evidence

The table below shows the comparable sales transactions for A grade office assets in the Perth CBD. Based on the sales evidence, the acquisition price of $7,783 per sqm is at the low end of comparable transactions, with the Property delivering a higher yield.

Figure 10: Recent transaction evidence

Property	Sale Date	Sale Price	NLA (sqm)	WALE (years)	Initial Yield (%)	Valuer's 10-yr IRR	Price per sqm
Chevron Building - 1 The Esplanade, Perth	Q1, 2021	$220.0M (25% interest)	55,963	12.3	5.00%	6.30%	$15,725
Capital Square – 11&17 Mount Street, Perth	Jul 2021	$475.3M (49% interest)	60,635	12.4	5.18%	6.51%	$15,997
ONE FORTY - 140 St Georges Terrace, Perth	Aug 2021	$272.4M	29,906	2.9	7.22%	6.73%	$9,109
BGC Centre – 28 The Esplanade, Perth	Sep 2019	$400.4M	15,264	2.2	7.41%	7.40%	$6,577
William Square – 45 Francis Street, Perth	Sep 2019	$189.5M	21,566	7.6	6.83%	5.81%	$8,787
Range					**5.0%-7.41%**	**5.81%-7.40%**	**$6,577-$15,997**
77 St Georges Terrace (100% interest)	**Dec 22 (expected)**	**$223.0M**	**28,653**	**5.8**	**7.94%**	**7.77%**	**$7,783**

Source: Knight Frank, JLL, Core Property

Market Rental Evidence

The Independent Valuer calculates the gross passing rent at the Property to be 2.6% above market levels. The calculation covers the total rental income for the office and retail areas.

Capex

The Manager has forecast approximately a total of $8.4M in capital expenditure over 5-years for the Fund's 50% share of the Property. The capital expenditure includes refurbishments of floors, further upgrades to the lobby, retail areas and end of trip facilities and works to upgrade the NABERS rating and ESG credentials. The capital expenditure is expected to be funded out of additional debt, with the Manager forecasting the LVR to remain below the bank LVR covenant.

Financial Analysis

Core Property has reviewed the financial forecasts based on Manager's assumptions and expectations for the Fund. The key observations are:

- The Profit & Loss forecasts below are for a 50% interest in the Property based on a settlement date of 1 December 2022.
- The forecast assumes an all-in cost of debt of 5.14% p.a. for the FY23 period.
- The Manager is targeting a distribution yield of 7.25% p.a. (annualised) for the 7 months to 30 June 2023. The forecast assumes $0.5M is not paid during the period and is retained by the Fund for future periods.
- Forecasts assume a 75% probability of lease renewals with incentives of 50% trending down to 25% over 5 years. Assumes downtime of 12 months.
- The Fund is expected to receive a $12.6M cash settlement adjustment to cover tenant incentives, vendor rental guarantees and outstanding capital expenditure.

A summary of the Manager's forecasts is presented below.

Figure 11: Profit & Loss Forecast & Balance Sheet

Profit & Loss/Cash Flow - Forecast $M – for the Fund's 50% interest	**1 Dec 2022 – 30 June 2023 (7 months)**
Gross Property Income	7.4
Property Expenses	-1.7
Net Income	**5.7**
Management Fee	-0.4
Fund Expenses	-0.1
Net Operating Income	**5.2**
Net Interest Expense	-1.7
Funds Available for Distribution	**3.5**
Change in Retained Earnings	-0.5
Cash Distribution	**2.9**
Distributions Paid per Unit – 7 months	**4.22 cpu**
Disitrbution Yield – annualised on $1.00 entry price	**7.25% p.a.**
Balance Sheet – $M – based on 50% ownership	**Pro forma on acquisition (est. 1 Dec 2022)**
Cash	3.0
Property	111.5
Total Assets	**114.5**
Borrowings	53.0
Capitalised Borrowing Costs	-0.5
Total Liabilities	**52.5**
Net Assets	**62.0**
Units on Issue	70.0
Debt to Assets Ratio	46.3%
Loan To Value Ratio (LVR)	**47.5%**
Net Tangible Assets per unit	**$0.89**

Source: Centuria, Core Property

Sources and application of funds / Initial NTA

The following table show how the Fund intends to use the funds being raised and the impact that costs have on the underlying Net Tangible Assets (NTA). The underlying NTA is an important consideration. It should be assessed in the context of statutory costs and fees paid to the Manager, which dilute investors' return over the term of the Fund. Core Property has calculated the NTA at $0.88 per unit, based on the acquisition of the Property by the Fund, with the majority of the dilution coming from acquisition costs (stamp duty). The Manager reports the initial NTA of the Fund at $0.89 per unit, which includes adjustments for capitalised interest costs.

Figure 12: Sources and application of funds / Initial NTA

Based on 50% ownership interest		
Sources and application of funds	**Amount**	**% of total funds**
Sources of funds		
Equity subscriptions	$70.0M	56.9%
Bank debt	$53.0M	43.1%
Total sources of funds	**$122.9M**	**100.0%**
Application of funds		
Purchase price	$111.5M	90.7%
Acquisition costs (stamp duty)	$5.7M	4.7%
Fund/debt establishment costs	$1.0M	0.8%
Manager's fee	$1.7M	1.4%
Working Capital	$3.0M	2.4%
Total application of funds	**$122.9M**	**100.0%**

Underlying NTA	
Initial NTA	**$ per unit**
Issue Price	$1.000
Less:	
Acquisition costs	-$0.08
Fund establishment costs	-$0.01
Property Acquisition Fee	-$0.02
NTA per unit (excl adjustments)	**$0.88**
Capitalised Debt Costs	$0.01
NTA per unit (incl adjustments)	**$0.89**

Source: Core Property

Debt Facility & Metrics

The Manager has credit approved terms for a debt facility for the Fund from a major Australian bank. The debt facility takes into account the Tenants In Common structure by way of a first ranked mortgage over the Fund's 50% interest in the Property. The indicative terms are for a 3 year debt facility with a limit of $63.6M. The debt will have an initial draw down of $53.0M, with the remaining $10.6M being available to fund the capex and working capital requirements for the Fund's 50% interest.

- The initial Loan To Value Ratio (LVR) will be 47.5% against an LVR covenant of 65%. Core Property calculates the initial value of the Property must fall by 26.9% of the LVR covenant to be breached.
- The initial Interest Coverage Ratio (ICR) is estimated at 3.1x, above the bank ICR covenant of 1.75x. Core Property calculates the net income must fall by 42.7% for this covenant to be breached.
- The Fund will also have an initial cash reserve of $3.0M which is also expected to be used for capex requirements.

The debt will have to be extended or replaced, to support the Fund for the full investment term.

Figure 13: Debt Metrics – indicative terms

Details	Metric
Bank	Major Australian bank
Security	First ranking mortgage over 50% interest in the Property.
Drawn Debt / Debt Facility Limit	$53.0M / $63.6M (for the Fund's 50% interest)
Loan Period	3 years
% Hedged	The Manager intends to hedge up to 50% of the debt, subject to market conditions.
Average cost of debt	5.14% p.a. (est. for FY23)
LVR / LVR Covenant	47.5% / 65%
Interest cover ratio / ICR covenant	3.1x / 1.75x
Amount by which valuation will have to fall to breach LVR covenant	26.9%
Decrease in net income to breach ICR covenant	42.7%

Source: Centuria

Fees Charged by the Fund

Overall, Core Property considers the fees charged to be low compared to what we have seen in the market. Our assessment is largely based on the management fee of 0.65% p.a. of the Gross Asset Value of the Fund, which is at the lower end of market ranges of 0.70% - 1.10% p.a. of GAV. Core Property notes the Acquisition and Disposal Fees are at the mid to upper end of market ranges.

Figure 14: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee:	Nil	No Fee is charged.
Exit Fee:	Nil	No Fee is charged.
Establishment Fee (Acquisition Fee):	1.5% of the gross value of the Property multiplied by the Fund's proportionate interest in the Property.	Core Property considers the Fee to be at the midpoint of the industry average of 1.0% - 2.0%.
Fees & Expenses – Management Fee, Property and Facilities, Expenses, Custody Fees	- Management Fees of 0.65% p.a. of the gross value of the Property or the current market value of the Property, multiplied by the Fund's proportionate interest in the Property. - Other costs and expenses are estimated at 0.11% p.a. of the GAV (for the Fund's proportionate interest in the Property).	Core Property considers the Management Fee to be low compared to what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Debt Establishment Fee:	Facility Limit x (0.10% + (0.05% x Facility Term in years).	The Fee equates to 0.20% for a 2-year debt facility, or 0.25% for a 3-year debt facility. The Fee is payable out of the assets of the Fund.
Development Management Fee:	Up to 5.0% of the costs and expenses for planning, developing, improving or enhancing the Property.	The Fee is payable out of the assets of the Fund. Core Property considers the fee to be at the low end of what we have seen in the market (5% - 8%)
Disposal Fee:	2.0% of the gross sale price for the Fund's proportionate interest in the Property.	Core Property considers the fee to be at the high end of the industry average of 1.0% - 2.0%.
Performance Fee:	20% of the Fund's outperformance over an 8.0% Internal Rate of Return (IRR) hurdle rate. The Fee is subject to the minimum Property Disposal Fee of 2% of the sale price of the Property.	Core Property considers the Performance Fee to be appropriate for the Fund. Core Property considers the minimum 2% Performance Fee to be already included as part of the Disposal Fee above.

Source: Centuria, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the Manager over the term of the Fund as a percentage of all cash flow generated after deducting interest costs but before management fees and performance fees. Core Property estimates the Manager is entitled to 6.8% of the total cash flow. Core Property considers the fees paid to the Manager to be at the low end of the range when compared to similar products, which are typically around 7% - 9%. In terms of fees paid to the Manager, Core Property estimates that 22.1% of the estimated fee is paid upfront and the remainder relates to ongoing management fees. Core Property stresses that these estimates of how much investors will receive are not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 15: Fees in Perspective – over 5-years

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.63
Total cash to investors:	**$1.63**
Acquisition fee:	$0.02
Base management fee:	$0.05
Disposal fee:	$0.04
Performance fee:	-
Fees for the RE (excluding disposal/admin):	**$0.12**
Total cash generated by Fund:	**$1.75**
Fees = % of total cash generated (before fees)	6.8%
Up-front fee as a % of total fees	22.1%

Source: Core Property estimates

Expected Future Performance (IRR Sensitivity)

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

Core Property has estimated the total return from the Fund based on the assumptions provided by the Manager.

Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of 7.5% p.a., based on the terminal capitalisation rate being maintained at 7.25%. For a +/- 25 bps movement the IRR is estimated at 6.2% p.a. - 8.6% p.a. Core Property's estimate for the IRR is based on a policy that assumes the terminal capitalisation rate is in line with the acquisition capitalisation rate.

Investors should note the Manager is targeting an IRR of 11.0% p.a. based on the successful execution of its strategy to deliver a rerating of the Property and assuming a terminal capitalisation rate of 6.375%. The Manager is targeting this based on the relatively attractive purchase price of the Property as evidenced by comparable transactions, combined with the Manager's strategy to grow income and potentially benefit from favourable movements in the property cycle.

Investors should be aware the sensitivities include the potential for the valuation of the assets to increase or decrease (depending on market conditions) which will result in either a capital gain or loss for investors**.**

Figure 16: Pre-tax, 5-year IRR (after fees) sensitivity analysis – Manager's assumptions

	IRR based on Cost of debt				
Terminal cap rate	**4.64%**	**4.89%**	**5.14%**	**5.39%**	**5.64%**
6.375% (Manager's target)	11.4%	11.2%	**11.0%**	10.8%	10.6%
6.75%	9.6%	9.5%	9.3%	9.1%	9.0%
7.00%	8.8%	8.6%	8.5%	8.3%	8.1%
7.25% (Acquisition cap rate)	8.0%	7.8%	**7.5%**	7.3%	7.0%
7.50%	7.0%	6.8%	6.5%	6.2%	6.0%
7.75%	6.0%	5.8%	5.5%	5.2%	5.0%
8.00%	5.1%	4.8%	4.5%	4.3%	4.0%

Source: Core Property

Management & Corporate Governance

The Trustee is Primewest Management Ltd ("the Trustee") which is a wholly owned subsidiary of the ASX listed-Centuria Capital Limited (ASX: CNI). Centuria, was formed in 1998 with a specific focus on the purchasing of high quality, growth oriented commercial property investments. Centuria has $20.6B of assets under management, including $19.8B of real estate assets managed on behalf of retail and wholesale investors across its listed and unlisted portfolio.

Core Property has reviewed the composition of the management team and consider it has the relevant skills and experience to operate the Fund successfully.

Figure 17: The Board of the Trustee

Name & Role	Experience
John Bond Executive Director	John is a founding Director of Primewest and holds over 30 years' experience in investment management, development projects and asset management functions. Prior to his work in the property sector, he worked in law and investment banking. John is a qualified solicitor and holds a Bachelor of Commerce degree.
David Schwartz Executive Director	David is a founding Director of Primewest and holds over 25 years' experience in investment management and development projects. Over the course of his career, David has been involved in business across the retail, manufacturing and distribution sectors.
John McBain **Executive Director and Joint CEO** Dip.Tech (Valuations), Diploma in Urban Valuation	John joined the Centuria Capital Board (formerly Over Fifty Group) on 10 July 2006 and was appointed as Chief Executive Officer in April 2008. John has built an extensive reputation over the years within the property industry. John founded property funds manager Waltus Investments Australia Limited and Hanover Group Pty Limited a specialised property consultancy and boutique funds manager. Waltus was formed in 1995 and was one of the first dedicated property funds managers in Australia. Prior to 1990, John held senior positions in a number of property development and property investments companies in Australia, New Zealand and the United Kingdom.
Jason Huljich **Executive Director and Joint CEO** Bachelor of Commerce (Commercial Law)	Jason became the Centuria Group Joint CEO in June 2019 after previously leading Centuria's Real Estate and Funds Management business. Jason was also a founding director and major shareholder in boutique funds manager Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006. He is an Executive Director of Centuria Capital Group. Jason has extensive experience in the commercial property sector, with specialist skills in property investment and funds management. He is also a past President of the Property Funds Association (PFA), which represents the $125 billion direct property investment body in Australia and continues to serve on their national executive. Jason holds a Bachelor of Commerce (Commercial Law) from the University of Auckland, New Zealand.

Source: Centuria

Figure 18: Management Team

Name & Role	Experience
John McBain **Joint CEO** Dip.Tech (Valuations), Diploma in Urban Valuation	Refer to above.
Jason Huljich **Joint CEO** Bachelor of Commerce (Commercial Law)	Refer to above.
Ross Lees **Head of Funds Management** Bachelor of Business (Property Economics), Master of Applied Finance	Ross is the Head of Centuria's Real Estate Funds Management business, which is responsible for both listed and unlisted property funds. This includes two ASX-listed REITs as well as 22 unlisted funds. Ross was previously the Fund Manager, Centuria Industrial REIT (ASX: CIP). Ross joined Centuria in 2017 and has over 15 years of investment management experience having joined from Dexus where he held senior transactional and portfolio management roles. Prior experience includes over six years at Stockland (ASX: SGP) and four years at Logos Property Australia having established and led their asset management platform.
Doug Hoskins **Co-Head – Unlisted Funds** Masters of Business Administration, Master of Operations Management, Diploma in Property Development	Doug has diverse experience in the commercial property sector and is responsible for the performance and management of several unlisted property funds. Doug joined Centuria in 2006 and has oversight over the fund establishment process, fund strategies, investor communications and daily operations. He works with the Asset Management team to develop fund strategies, liaises with financiers to secure and renew debt facilities, and works with the distribution team during the capital-raising process. Doug holds a Masters of Business Administration (MBA), Master of Operations Management, Diploma in Property Development, and a full property licence.

Naomi Charlton Fund Manager	Naomi joined Centuria in 2022 and is responsible for multiple unlisted office funds generally focused in Perth and the Perth CBD. She is responsible for the fund establishment, performance, reporting and investor relations of assets in excess of $940M. She works closely with the Asset Management team to realise delivery of the asset strategy to ensure optimal performance. Naomi's previous roles have included asset management, development and leasing in Perth, London and Kuala Lumpur. Most recently she worked for the ABN Group where she was responsible for proactive and efficient management of the groups commercial real estate portfolio with major projects including the construction and establishment of a 9,000 sqm office building in Leederville. Naomi is a Chartered Surveyor and holds a Bachelor of Commence (Property & Accounts) from Curtin University.
Andrew Essey **Head of Transactions** Bachelor of Business Admin	Andrew joined Centuria Property Funds in February 2013 as National Leasing Manager, was appointed Fund Manager in November 2015, and transitioned to the role of Head of Transactions in July 2017. As Head of Transactions, he is responsible for originating and managing the Group's property transactions and oversight of the Group's acquisitions team. Prior to joining Centuria, Andrew worked for DTZ in Sydney's North Shore Agency from 2007, most recently holding the position of Director. While at DTZ, Andrew's focus was on leasing and sales within Sydney's North Shore industrial and office park markets. Andrew holds a Bachelor of Business Administration from Radford University, Virginia, USA with a Major in Marketing and Economics.
Victor Georos **Head of Portfolio & Asset Management** BA (Land Economy), Graduate Dip. (Finance & Investment) (FINSIA)	Victor joined Centuria as Senior Portfolio Manager in April 2013 and was appointed Head of Portfolio and Asset Management in July 2015. He is responsible for overseeing portfolio and asset management of Centuria's portfolio, including the development and implementation of strategies to enhance value through active asset management and development. Victor has extensive experience in asset and investment management, development and funds management, across the office, retail and industrial sectors, with a key focus on results and the ability to build high performance teams across all sectors. Prior to joining Centuria, Victor held senior positions with GPT Group and Lend Lease, including Head of Industrial & Business Parks at GPT.
Ben Harrop **Head of Distribution** Bachelor of Economics, Graduate Diploma in Applied Finance, Diploma of Financial Planning, Postgraduate Certificate in Management, AICD Diploma	Ben has spent 25 years in wealth management in various senior leadership positions. Ben brings broad market experience across the full advice and product spectrum. Prior to joining the Centuria Group, Ben worked at ANZ Wealth as Head of Strategic Accounts Management and managed the distribution and research of investment, platform, private client and insurance solutions at firms such as AMP Capital, Zurich, Bankers Trust and Macquarie Bank. Ben commenced his career working in his family insurance broking business. Ben is a Senior Associate with FINSIA (the Financial Services Institute of Australasia), and an active member of industry associations having been a judge for the AFA Rising Star of the year award.

Source: Centuria

Compliance and Governance

The Fund is not registered with ASIC as a managed investment scheme. As an unregistered scheme, the Fund does not have a compliance plan, compliance committee, or related-party policy of its own. Instead, the Fund will be subject to the compliance policies of its ultimate parent, Centuria Capital Group (ASX: CNI). As a listed entity, Centuria has a compliance plan, an audit & compliance committee, and policies covering related-party transactions and conflicts of interest. Core Property has reviewed the composition of the Board and senior executive team and considers it has the relevant skills and experience to operate the Fund successfully.

Conflicts of Interests and Related Party Transactions

Centuria maintains a written policy on related party transactions, including the assessment and approval processes to manage any conflicts of interest. The Manager has also advised the following related party transactions that are currently expected by the Fund:

- Centuria Capital has provided an unsecured loan of $6.575M to finance the deposit paid for the Fund's 50% interest in the Property. This includes a provisional loan of $1.0M which the Trustee may use if it determines to lock in security for an interest rate swap under the fund's proposed debt facility. The interest on the loan is charged at 7.25% p.a. and represents an unsecured loan for the Fund's 50% interest in the deposit. The acquisition of the Property is expected to settle on 1 December 2022, and the total interest cost is estimated at $0.1M for the Fund.
- The Co-owners may engage Centuria Property Services to provide property management, facilities management, development management and leasing services to the Property. If Centuria Property Services is appointed to provide these services, then it must be agreed with the Co-Owner under the terms of the Co-Owners Agreement. The fees charged will be paid at a market rate and will be undertaken in compliance with Centuria's Conflicts of Interests Policy.
- If the Trustee does not receive applications for ordinary units for an amount that is sufficient to complete the acquisition of the Property, then the Trustee may arrange for third parties or entities within the Centuria Capital Group to acquire Acquisition Units. The Acquisition Units have the same rights as ordinary units except that the Acquisition Units have a preferential right to be redeemed out of the proceeds of the issue of ordinary units at a withdrawal price equal to the prevailing application price of an ordinary unit.

Past Performance

Centuria Syndicate Performance

The Manager has advised that, since 1999, Centuria Capital Limited has completed 44 funds at a weighted average total return of 16.8% and an average total return of 15.3%.

Readers should note that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property has its own specific risks and attributes.

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

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