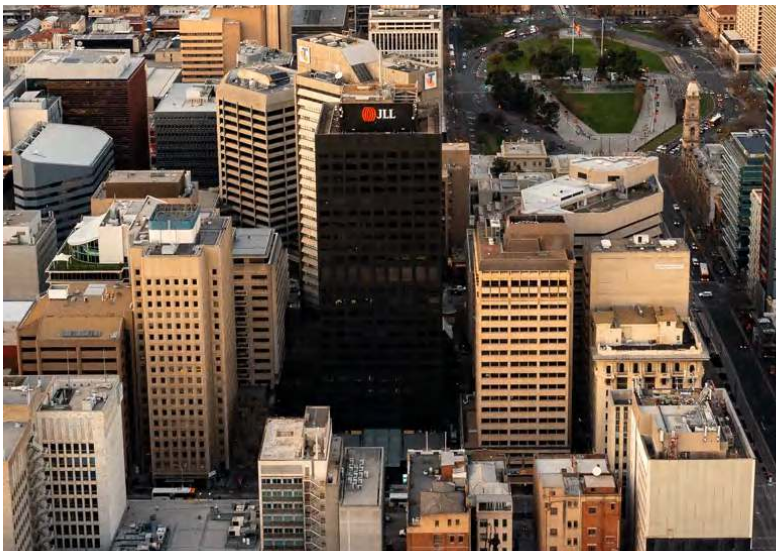
Centuria

Fund Update September 2022

Centuria 25 Grenfell Street Fund

(ARSN 656 250 154)



Key points

- As at 30 June 2022, the Net Asset Backing of the Fund increased to $1.00 per unit
- Forecast distributions for FY23 confirmed at 7.10 cents per unit (annualised)
- Completed 3,912 sqm of leasing transactions during 2022 (approximately 15.7% of NLA)

Fund summary

We are pleased to provide you the first Fund Update for your investment in the **Centuria 25 Grenfell Street Fund** (Fund).

As outlined in previous correspondence, we are pleased to confirm that the Fund's 50% interest in 25 Grenfell Street, Adelaide SA was acquired on 1 April 2022.

Monthly distributions for FY23 will continue to be paid at 7.10 cents per unit (annualised), which is in line with the forecast included within the Fund's Product Disclosure Statement (PDS) dated 21 February 2022. The corresponding distribution statement for the Fund can be accessed from our online investor portal at **CenturiaInvestor.com.au**.

Market Overview

- Adelaide CBD office market vacancy rate tightened in July 2022 to 14.2%, down from 15.7% at the same time last year.
- Brisbane and Adelaide were the only two CBD markets to record vacancy decreases the first half of 2022.
- The Property Council of Australia (PCA) reported a positive six-month net absorption of 6,174 sqm to July 2022, which is well above the 10-year average of approximately 4,500 sqm.
- Average gross face rents increased slightly in the June quarter ranging between 0.9% - 2.4%.
- Sales volumes increased 62% from the previous year.
- Average market yields across all property grades have remained stable in the June quarter ranging between 5.15% and 6.90%.
- The PCA survey for August 2022 found that Adelaide's office occupancy rate increased the most nationally, climbing from 64% to 71%.

Source: PCA/Savills Research

30 June 2022 Net Asset Backing

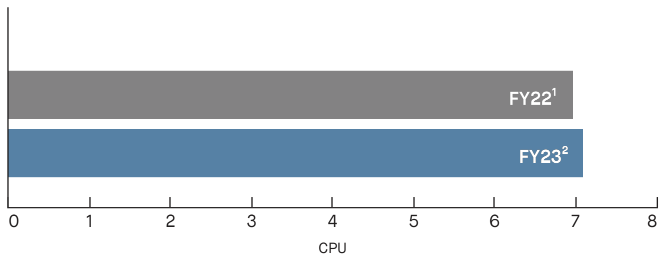
The 30 June 2022 audited financial report is now available to download from the online investor portal at **CenturiaInvestor.com.au.** The report confirms the Net Asset Backing (NAB) of the Fund increased from $0.97 per unit as outlined in the PDS dated 21 February 2022 to $1.00 per unit as at 30 June 2022. The increase is predominately due to change in the Mark to Market value of the Fund's derivative instruments, which has resulted in $0.03 per unit being added to the NAB.

Financial snapshot

Fund commencement date	1 April 2022
Unit price	$1.05
Net asset backing	$1.00[1]
Distribution rate (cents per unit)	7.10[2]
Weighted average lease expiry (WALE) (years)	3.3[3]
Next investor vote on term of Fund	31 March 2027

Distribution details

ANNUALISED DISTRIBUTION



1. Annualised.
2. Forecast (annualised).

The distribution rate of 7.10 cents per unit (annualised) is in line with the 2023 financial year forecast included within the PDS. However, please note that this forecast distribution rate reflects the current performance of the Fund and assumes all tenants will satisfy their contractual obligations under their respective leases within a timely manner. It also assumes there are no significant unforeseen capital costs or material changes to the Fund's financial obligations, which includes debt costs. If any change to the forecast distribution rate is required, an out of cycle update will be provided to investors.

1. Based on most recent audited accounts as at 30 June 2022. Without the Mark to Market of the Fund's interest rate swap, the NAB of the Fund would be $0.97 per unit.
2. September 2022 quarter, annualised.
3. As at 30 June 2022 and includes vendor rental guarantees that range from 12 months to two years over the 2,886 sqm that was vacant at settlement of the property.

Property details

ASSET VALUES	
Property address	25 Grenfell Street, Adelaide SA
Purchase price (Jan 22)	$73.7m[1]
Acquisition/Previous valuation (Jan 22)	$73.7m
Current valuation (Jun 22)	$75.3m
Cap rate (Jun 22)	6.25%
Valuer	Directors'

The property was subject to Directors' valuation for the purposes of the 30 June 2022 audited financial report and the key metrics of this valuation are outlined in the table above.

Top five tenants by net lettable area (NLA)

Minister for Transport and Infrastructure Lease expires 31 Jan 2024	23.3%
Minter Ellison Lease expires 31 Dec 2032	10.7%
Aurecon Lease expires 30 Apr 2030	10.3%
Lipman Karas Lease expires 10 Dec 2027	8.7%
Regus Leases expires 30 Apr 2025, 30 Nov 2032	8.5%

The property is 100% occupied with a weighted average lease expiry of approximately 3.3 years as at 30 June 2022. However, please note that these figures include the vendor rental guarantees provided over the 2,886 sqm that was vacant at settlement of the property.

We are extremely pleased to report that management is progressing well with its leasing strategy and below is a summary of the recent transactions completed:

- Level 1 (198 sqm) - Five year lease to Schlumberger Australia, a subsidiary of NYSE listed Schlumberger, with the right to break on the third anniversary.
- Level 2 (1,043 sqm) - 10 year lease to over a full floor to Regus, a subsidiary of FTSE 250 listed IWG.
- Level 8 to 10 (2,671 sqm) - Minter Ellison have also extended its lease over Level 8, Level 9 and Level 10 from 2028 to 2032.

Achieving these results in such a short period time is an exceptional outcome for the Fund and we look forward to providing investors further updates on both leasing, as well as capital expenditure programs as they are completed.

Property statistics

	INITIAL[2]	JUN-22	
Net asset backing	$0.97	$1.00	-
Property occupancy rate[3]	100%	100%	-
Weighted average lease expiry (WALE) (years)[3]	3.9	3.3	-

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	$41.7m	
Undrawn amount	$4.1m[4]	
Loan expiry	20-Jan-25	
% of debt hedged	80.0%[5]	
Loan to value ratio (LVR)	45.1%[6]	57.50%
Interest cover ratio (ICR)	4.51[7]	2.50

The Fund's drawn debt is $37.6 million drawn, which is 80% hedged at a fixed rate of 1.50% (in addition to the bank margin of 1.425%) until 28 February 2025, with the ability to draw an additional $4.1 million for future leasing related costs and base building capital expenditure.

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 30 June 2022, the Fund remains compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Valuation Ratio (LVR).

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**.

Note: The latest RG46 Statement for the Fund is available at **CenturiaInvestor.com.au**. It includes gearing ratio (calculated using ASIC methodology), gearing covenant sensitivities, details of the related party transactions in the period and further information on the source of distributions.

1. Acquisition price including outstanding incentives adjusted in favour of the Fund at settlement was $83.3m.
2. Based on the Product Disclosure Statement dated 21 February 2022.
3. Occupancy and WALE figures include vendor rental guarantees that range from 12 months to two years over the 2,886 sqm that was vacant at settlement of the property.
4. As at 30 June 2022.
5. The Fund's drawn debt is 80% hedged at a rate of 1.50% p.a. until 28 February 2025.
6. The LVR is based on the most recent independent valuation as defined under the debt facility agreement.
7. The stated ICR figures are based on the most recent audited accounts as at 30 June 2022.