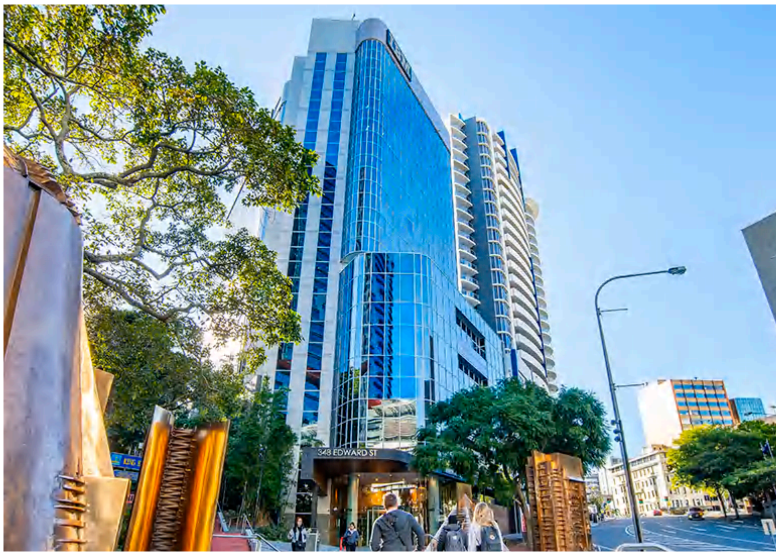
Centuria

Fund Update
September 2022

Centuria 348 Edward Street Fund

(ARSN 636 584 515)



Key points

- FY23 distributions are forecast at 5.25 cpu (annualised), primarily a result of increased interest costs.
- Net Asset Backing (NAB) of $0.87 per unit as at 30 June 2022.
- Three leasing deals completed over the half year, with terms agreed on an additional deal.
- The property is 100% occupied, with a weighted average lease expiry of approximately 3.10 years.

Fund summary

Distributions for the **Centuria 348 Edward Street Fund** (Fund) were paid in line with the September 2022 quarter forecast of 5.25 cents per unit (annualised). The corresponding distribution statement for the Fund is enclosed with this report and can also be accessed from our online investor portal at **CenturiaInvestor.com**.

The Fund's NAB per unit, based on audited accounts, has remained stable, decreasing slightly from $0.88 (as at 31 December 2021) to $0.87 (as at 30 June 2022). The movement has been driven by minor capital works and incentives undertaken during the period, which was not reflected in the most recent valuation.

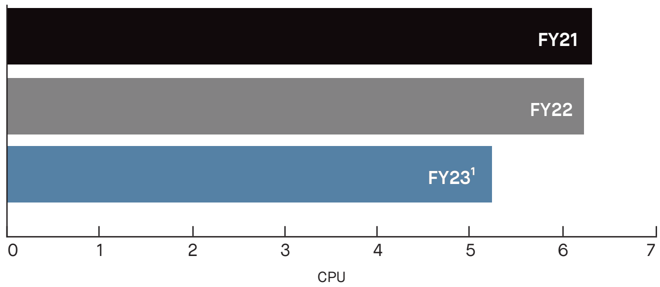
Financial snapshot

Fund Commencement Date	12 December 2019
Unit Price	$0.94
Net Asset Backing	$0.87[1]
Distribution Rate (cents per unit)	5.25[2]
Weighted Average Lease Expiry (WALE) (years)	3.1[3]
Next Investor Vote on Term of Fund	12 December 2024

As outlined in the Product Disclosure Statement, units were issued at $1.00 per unit. Thereafter, the unit price will reflect the NAB per unit with adjustments made for the amortisation of certain fees and expenses on a straight-line basis over five years.

Distribution details

ANNUALISED DISTRIBUTION



1. FY23 Forecast.

The distribution forecast for the 2023 financial year has been established at 5.25 cents per unit (annualised). The reduction in the distribution rate is primarily due to the increased cost of debt, including a swap of 0.96% over $32.6m of the drawn debt expiring in December 2022. As a result, the average 'all-in' forecast cost of debt (for FY23) increases from 2.87% p.a. to 4.02% p.a. Should there be any material departures from this forecast, an out of cycle Investor update will be provided.

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 and no material changes to the Fund's financial obligations.

1. Based on most recent audited accounts (30 June 2022). Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at $0.87.
2. September 2022 quarter annualised.
3. As at 30 June 2022.

Property details

ASSET VALUES	
Property Address	348 Edward Street, Brisbane, QLD
Purchase Price (Dec 19)	$79.0m[1]
Previous Valuation (Dec 21)	$88.0m
Current Valuation (Jun 22)	$88.5m
Cap Rate (Jun 22)	6.00%
Valuer	Director

The key metrics of the 30 June 2022 valuation are outlined in the table above, and the result of the 31 December 2022 valuation will be included within the March 2023 Fund Update.

Top five tenants by net lettable area (NLA)

Deswik Lease expires 30 Nov 2027	23.6%
BMT Eastern Australia Lease expires 31 Jan 2028	13.3%
Dealer Solutions Lease expires 31 Aug 2023	7.9%
The Citadel Group Lease expires 31 Jan 2025	7.9%
First Mortgage Services Lease expires 30 Sep 2025	7.5%

The Weighted Average Lease Expiry (WALE) by income is approximately 3.10 years as at 30 June 2022.

Property statistics

	INITIAL[2]	DEC-21	JUN-22
Net Asset Backing	$0.88	$0.88	$0.87
Property Occupancy Rate	88%	100%	100%
Weighted Average Lease Expiry (WALE) (years)	5.10	3.49	3.10

Leasing update

Three leasing deals have been completed over the half year, with Altus (164sqm), Software Education Australia (134sqm) and Care Park (111 sqm) all extending lease terms over their current spaces. The three renewals are a great demonstration of strong tenant retention.

In addition to the three leasing deals complete, a Heads of Agreement has been signed with Australian Sugar Milling Council over 190 sqm of space on Level 11.

All four deals agreed over the quarter were struck at commencing rents higher than those adopted in the most recent independent valuation.

Market overview

- Net absorption was significantly stronger during the June 2022 quarter, recording 27,718 sqm positive absorption.
- Both prime gross effective rents and secondary gross effective rents have recorded increases of 1.7% and 1.8% respectively over the June 2022 quarter.
- The prime mid-point yield has remained stable at 5.63%.
- 80 Ann Street reached practical completion over the June 2022 quarter and has delivered 60,243sqm of office space to the market.
- Headline vacancy increased over the quarter to 15.4% which can partially be attributed to the added vacant space from the completion of 80 Ann Street.

Source: JLL Research 2022(Q2)

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total Facility Limit	$46.7m[3]	
Undrawn Amount	$8.2m[3]	
Loan Expiry	1 Dec 2024	
% of Debt Hedged	85.0%[4]	
Loan to Value Ratio (LVR)	43.80%[5]	60.0%
Interest Cover Ratio (ICR)	3.68[6]	2.0

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 Value Ratio (LVR).

The Fund's debt facility includes a requirement to hedge a minimum of 50% of the drawn debt at all times. Noting the current hedge expires in December 2022, hedging for a further period will be completed to comply with the debt facility agreement. Details of the hedging, once completed, will be outlined in the Fund's next RG46 statement.

1. Acquisition price / valuation including incentives was $89.0m.
2. Based on the Product Disclosure Statement dated 31 October 2019.
3. As at 30 June 2022.
4. As at 30 June 2022, Fund's drawn debt is hedged until 12 December 2022.
5. The LVR is as at 30 June 2022 and based on the most recent independent valuation as defined under the debt facility agreement.
6. The stated ICR figures are based on the most recent audited accounts (30 June 2022).

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.