Centuria

Fund Update
September 2022

Centuria 8 Central Avenue Fund No. 2

(ARSN 605 264 211)

Key points

- FY23 distribution forecast confirmed at 7.75 cpu (annualised).
- 30 June 2022 Net Asset Backing remains robust at $1.88 per unit (in addition to previous capital return of $0.27 per unit in March 2021).
- Property valuation, as at 30 June 2022, remains stable at $210 million.
- The property is 97% occupied with a weighted average lease expiry (WALE) of approximately 7.98 years as at 30 June 2022.

Fund summary

The FY23 distribution rate for the Centuria 8 Central Avenue Fund No. 2 (Fund) has been confirmed at 7.75 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 has commenced some minor speculative fit-out works on Level 8, with cosmetic upgrades to front of house and finishes. The space remains on the market for lease, with agents appointed.

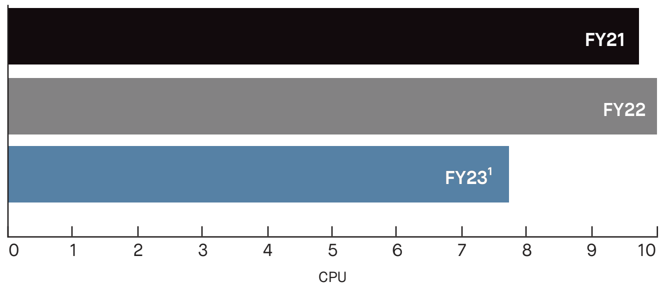
The 30 June 2022 audited financial report is now available to download from our online investor portal at **CenturiaInvestor.com.** The report confirms the Fund's NAB per unit has remained at $1.88 (as at 30 June 2022), with no material change to the Funds Net Assets.

Financial snapshot

Fund Commencement Date	1 July 2015
Net Asset Backing	$1.88[1]
Distribution Rate (cents per unit)	7.75[2]
Weighted Average Lease Expiry (WALE) (years)	7.98[3]
Next Investor Vote on Term of Fund	1 January 2024

Distribution details

ANNUALISED DISTRIBUTION



1. FY2023 Forecast.

The distribution forecast for the 2023 financial year has been confirmed at 7.75 cents per unit (annualised). The distribution rate guidance includes provisions to account for the increased cost of debt throughout FY23 and downtime associated with Level 8. 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) and after deducting the $0.27 early return of capital made in March 2021. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at $1.88.
2. September 2022 quarter annualised.
3. As at 30 June 2022.

Property details

ASSET VALUES	
Property Address	8 Central Avenue, South Eveleigh, NSW
Purchase Price (Jul 15)	$109.4m[1]
Previous Valuation (Dec 21)	$210.0m[1]
Current Valuation (Jun 22)	$210.0m[1]
Cap Rate (Jun 22)	5.00%
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)

Pacific Magazines Lease expires 31 Dec 2029	25.5%
Government Property NSW Lease expires 30 Nov 2025	21.1%
NEP Australia Lease expires 31 Dec 2044	18.8%
Seven Network Lease expires 31 Dec 2029	15.8%
SpeeDx Lease expires 31 Aug 2025	8.2%

The property is 97% occupied with a weighted average lease expiry (WALE) by income of approximately 7.98 years as at 30 June 2022.

Property statistics

	INITIAL[2]	DEC-21	JUN-22
Net Asset Backing	$0.90	$1.88[3]	$1.88[3]
Property Occupancy Rate	100%	97%	97%
Weighted Average Lease Expiry (WALE) (years)	10.97	8.33	7.98

Market overview

- Net leasing absorption of 7,002 sqm was recorded in the Sydney Fringe during the June 2022 quarter and headline vacancy decreased by 0.3% to 8.7% during the period.
- Prime gross effective rents increased by 0.6%, while secondary rents were stable from April through to June 2022.
- Prime and secondary incentives remained stable at 28.0% and 23.9%, respectively.
- Two previously untracked buildings were added to stock with a total office area of 4,200 sqm and there are currently three projects under construction that will add 10,200 sqm to the market once completed over the next year.
- Four office sales were recorded over the June 2022 quarter with a total value of $156.0 million.
- Prime yields and secondary yields remain stable ranging from 4.63% to 5.13% and 4.88% to 5.38%, respectively.

Source: JLL Research 2022(Q2)

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total Facility Limit	$85.1m[4]	
Undrawn Amount	5.1m[4]	
Loan Expiry	8 Jan 2024	
% of Debt Hedged	24.3%[5]	
Loan to Value Ratio (LVR)	38.1%[6]	60.0%
Interest Cover Ratio (ICR)	4.67[7]	1.95

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).

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. Based on 50% of the property.
2. Based on the Product Disclosure Statement dated 8 April 2015.
3. After deducting the $0.27 early return of capital made in March 2021.
4. As at 30 June 2022.
5. As at 30 June 2022, Fund's drawn debt is partially hedged until 18 June 2023.
6. The LVR is as at 30 June 2022 and 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 (30 June 2022).