

# Centuria

Fund Update  
March 2022

## Centuria 80 Flinders Street Fund

(ARSN 634 979 838)

### Key points

- As at 31 December 2021, the Net Asset Backing of the Fund increased to \$1.08 per unit
- Distributions remain at 6.70 cents per unit (annualised)
- Lease extensions finalised with both Wilson Parking and Insurance Australia

### Fund summary

Distributions for the **Centuria 80 Flinders Street Fund** (Fund) continue to be paid at 6.70 cents per unit (annualised), which is in line with the forecast for the 2022 financial year. The corresponding distribution statement for the Fund can be accessed from our online investor portal at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au).

According to JLL Research, the occupier recovery from the initial COVID-19 outbreak within the Adelaide CBD has been swift. Over the past 12 months to 31 December 2021, net absorption totalled 17,700 sqm, which is the highest level since 2017. As a result, the Prime-grade vacancy rate reduced significantly by 15.1% to 11.9% during this period. This positive demand is expected to continue during 2022, driven largely by the emergence of the South Australian technology, defence, and aerospace sectors. However, the impact of the Omicron COVID-19 variant and new supply does present some downside risk to vacancy levels, as well as market rents.

From a capital markets perspective, due to a limited amount of assets being brought to market in the Adelaide CBD during 2021, the volume of unsatisfied capital appears to be growing. Consequently, Prime-grade yields in the Adelaide CBD compressed in the December 2021 quarter to a new range of between 4.75% to 6.75%, with a midpoint of 5.75%. Furthermore, it is expected that once international travel returns to near pre-COVID-19 levels, a substantial wave of offshore capital will look to Australia as a destination. Domestic funds and syndicators are also likely to continue to look to the Adelaide CBD for comparable value against Sydney and Melbourne. Therefore, Prime-grade yields are forecast to hold firm through to 2023.

The 31 December 2021 audited financial report is now available to download from the online investor portal at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au). The report confirms the Net Asset Backing (NAB) of units in the Fund increased from \$0.98 (as at 30 June 2021) to \$1.08 (as at 31 December 2021), which is an exceptional result for investors. The increase is predominately due to an uplift in the property's valuation over this period, which was largely driven by a 25 basis point tightening of the capitalisation rate following the successful completion of major leasing transactions.



### Financial snapshot

<b>Fund commencement date</b>	30 Sep 2019
<b>Unit price</b>	\$1.11 <sup>1</sup>
<b>Net asset backing</b>	\$1.08 <sup>2</sup>
<b>Distribution rate (cents per unit)</b>	6.70 <sup>3</sup>
<b>Weighted average lease expiry (WALE) (years)</b>	5.2 <sup>1</sup>
<b>Next investor vote on term of Fund</b>	30 Sep 2024

1. As at 31 December 2021.

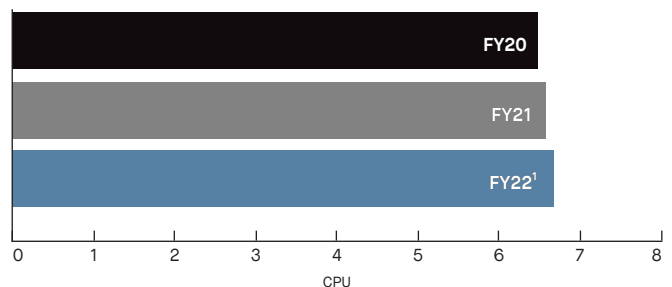
2. Based on the most recent audited accounts as at 31 December 2021. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at \$1.08.

3. March 2022 quarter, annualised.

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. Forecast (annualised).

The distribution rate for the remainder of the 2022 financial year is forecast to remain at 6.70 cents per unit (annualised). 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.

An out of cycle update will also be provided in June 2022 to confirm the forecast distribution rate for the 2023 financial year.

## Property details

ASSET VALUES	
Property address	80 Flinders Street, Adelaide SA
Purchase price (Sep 19)	\$123.4m <sup>1</sup>
Previous valuation – Independent (Jun 21)	\$127.5m
Current valuation (Dec 21)	\$137.0m
Cap rate (Dec 21)	5.50%
Valuer	Knight Frank

1. Acquisition price including outstanding incentives was \$127.0m.

The property was subject to an independent valuation for the purposes of the 31 December 2021 audited financial report and the key metrics of this valuation are outlined in the table above. Furthermore, the result of the 30 June 2022 valuation will be included within the September 2022 Fund Update.

## Top five tenants by net lettable area (NLA)

<b>Beach Energy</b> Lease expires 31 May 2026	27%
<b>Wilson Parking</b> Lease expires 30 Nov 2029	26%
<b>BAE Systems</b> 9 Sep 2025	17%
<b>Insurance Australia</b> Lease expires 18 Aug 2026	14%
<b>Lucid Consulting</b> Lease expires 23 Sep 2026	6%

The property is currently 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 5.2 years as at 31 December 2021.

We are extremely pleased to report that leases have been executed with Better Medical for a five term on part level 7 and Wilson Parking has also agreed to an eight year renewal. As a result, during the past 15 months, new leases have been completed over approximately 51% of the property's gross income, which has significantly enhanced the leasing profile of the asset.

## Property statistics

	INITIAL <sup>1</sup>	JUN-21	DEC-21
Net asset backing	\$0.95	\$0.98	\$1.08
Property occupancy rate	100%	100%	100%
Weighted average lease expiry (WALE) (years)	4.0	3.5	5.2

1. Based on the Product Disclosure Statement dated 14 August 2019.

## Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$60.0m	
Undrawn amount	\$2.85m <sup>1</sup>	
Loan expiry	30-Sep-24	
% of debt hedged	100.0% <sup>2</sup>	
Loan to value ratio (LVR)	41.7% <sup>3</sup>	57.5%
Interest cover ratio (ICR)	5.29 <sup>4</sup>	2.0

1. As at 31 December 2021.

2. The Fund's drawn debt is fully hedged at a rate of 0.86% p.a. until 30 September 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 2021.

The Fund's drawn debt remains at \$57.15 million, which is 100% hedged at a fixed rate of 0.86% (in addition to the bank margin of 1.50%) until 30 September 2022, with the ability to draw an additional \$2.85 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 31 December 2021, 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](https://www.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](mailto:Property.Enquiry@CenturiaInvestor.com.au).

**Note:** The latest RG46 Statement for the Fund is available at [CenturiaInvestor.com.au](https://www.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.

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