

Centuria

Fund Update September 2022 Centuria 80 Grenfell Street Fund

(ARSN 626 187 022)

Key points

- As at 30 June 2022, the Net Asset Backing of the Fund increased to \$1.02 per unit
- Forecast distributions for FY23 confirmed at 8.25 cents per unit (annualised)
- Adelaide CBD office market fundamentals remain strong

Fund summary

Distributions for the **Centuria 80 Grenfell Street Fund** (Fund) continue to be paid at 8.25 cents per unit (annualised), which is in line with the forecast for the 2023 financial year. 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 \$1.00 per unit (as at 31 December 2021) to \$1.02 per unit (as at 30 June 2022), which is largely due to a change in the Mark to Market value of the Fund's derivative instruments over this period and resulted in \$0.01 per unit being added to the NAB. Please note that this \$1.1 million increase in the Fund's net assets is only materialised if the five year swap is broken prior to its expiry on 23 July 2023. This amount will also



reduce as the remaining term diminishes, however it may also increase further if interest rates continue to rise.

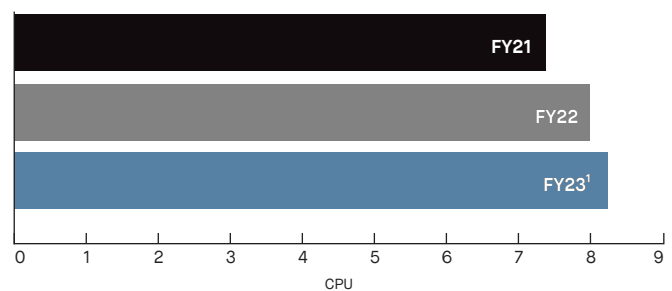
Financial snapshot

Fund commencement date	23 July 2018
Unit price	\$1.04 ¹
Net asset backing	\$1.02 ²
Distribution rate (cents per unit)	8.25 ³
Weighted average lease expiry (WALE) (years)	3.5 ¹
Next investor vote on term of Fund	23 July 2023

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 of 8.25 cents per unit (annualised) is in line with the 2023 financial year forecast. 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. As at 30 June 2022.

2. Based on the 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 remain at \$1.01 per unit.

3. September 2022 quarter, annualised.

Property details

ASSET VALUES ¹	
Property address	80 Grenfell Street, Adelaide SA
Purchase price (Jul 18)	\$92.3m
Previous valuation – Independent (Dec 21)	\$96.6m
Current valuation (Jun 22)	\$96.6m
Cap rate (Jun 22)	6.00%
Valuer	Directors'

The property was subject to a 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 tenants by net lettable area (NLA)

Bendigo and Adelaide Bank Lease expires 17 Nov 2025	91%
RP Data Lease expires 30 Sep 2027	5%
Civil Aviation Authority Lease expires 31 Jul 2030	4%

The property is currently 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 3.5 years as at 30 June 2022.

As previously communicated to investors, Bendigo and Adelaide Bank has already advised, as a minimum, it will likely hand back the top three subleased floors of the building plus another two levels at expiry of its lease in November 2025.

Therefore, management has been focussing on mitigating this impending risk by actively marketing the space and we are pleased to report that a direct lease has been executed with RP Data over approximately 1,250 sqm on level 8 at a rent of \$660 per sqm gross. This is \$60 per sqm above the average market rent within the 30 June 2022 valuation, which is an excellent result for the asset.

We will also be holding discussions with the subtenants towards the end of the calendar year and look forward to updating investors on any progress in the coming months.

Property statistics

	INITIAL ²	DEC-21	JUN-22
Net asset backing	\$0.93	\$1.00	\$1.02
Property occupancy rate	100% ³	100%	100%
Weighted average lease expiry (WALE) (years)	7.3	4.0	3.5

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$42.2m	
Undrawn amount	\$0.7m ⁴	
Loan expiry	23-Jul-23	
% of debt hedged	100.0% ⁵	
Loan to value ratio (LVR)	43.0% ⁶	57.5%
Interest cover ratio (ICR)	8.53 ⁷	2.0

The Fund's drawn debt remains at \$41.5 million, which is 100% hedged at a fixed rate of 0.62% (in addition to the bank margin of 1.70%) to ensure security of interest costs. The facility also provides the ability to draw an additional \$650,000 for capital expenditure and leasing-related items.

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](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.

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.

- Figures based on the Fund's 50% interest in the property.
- Based on the Product Disclosure Statement dated 4 June 2018.
- Includes an 18-month rental guarantee over the vacant area of approximately 889 sqm on level 4, which expired on 22 January 2020.
- As at 30 June 2022.
- The Fund's drawn debt is fully hedged at a rate of 0.62% p.a. until 23 July 2023.
- The LVR is based on the Fund's 50% interest and the most recent independent valuation as defined under the debt facility agreement.
- The stated ICR figures are based on the most recent audited accounts as at 30 June 2022.

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