

Centuria

Fund Update
March 2022

Centuria 80 Grenfell Street Fund

(ARSN 626 187 022)

Key points

- As at 31 December 2021, the Net Asset Backing of the Fund increased to \$1.00 per unit
- Distributions remain at 8.00 cents per unit (annualised)
- The property is 100% leased with a weighted average lease expiry of approximately 4.00 years

Fund summary

Distributions for the **Centuria 80 Grenfell Street Fund** (Fund) continue to be paid at 8.00 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.

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. The report confirms the Net Asset Backing (NAB) of units in the Fund increased from \$0.98 (as at 30 June 2021) to \$1.00 (as at 31 December 2021). The increase is predominately due to a change in the Mark to Market value of the Fund's derivative instruments and a slight uplift in the property's valuation over this period, which was largely driven by a reduction in the outgoings budget for the 2022 financial year.



Financial snapshot

Fund commencement date	23 July 2018
Unit price	\$1.02 ¹
Net asset backing	\$1.00 ²
Distribution rate (cents per unit)	8.00 ³
Weighted average lease expiry (WALE) (years)	4.0 ¹
Next investor vote on term of Fund	23 July 2023

1. As at 31 December 2021.

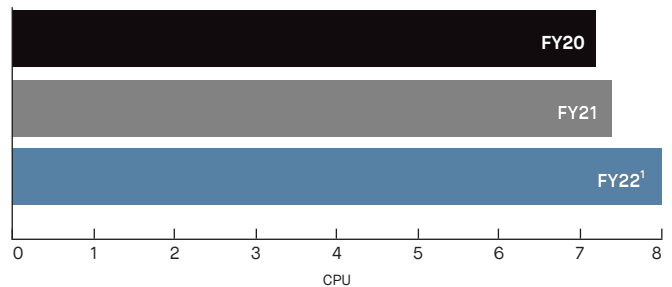
2. Based on the most recent audited accounts as at 31 December 2021. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at \$1.00.

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 8.00 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 ¹	
Property address	80 Grenfell Street, Adelaide SA
Purchase price (Jul 18)	\$92.3m
Previous valuation – Directors' (Jun 21)	\$95.8m
Current valuation (Dec 21)	\$96.6m
Cap rate (Dec 21)	6.00%
Valuer	M3

1. Figures based on the Fund's 50% interest in the property.

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 tenants by net lettable area (NLA)

Bendigo and Adelaide Bank Lease expires 17 Nov 2025	96%
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 4.00 years as at 31 December 2021.

Property statistics

	INITIAL ¹	JUN-21	DEC-21
Net asset backing	\$0.93	\$0.98	\$1.00
Property occupancy rate	100% ²	100%	100%
Weighted average lease expiry (WALE) (years)	7.3	4.5	4.0

1. Based on the Product Disclosure Statement dated 4 June 2018.

2. Includes an 18-month rental guarantee over the vacant area of approximately 889 sqm on level 4, which expired on 22 January 2020.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$42.2m	
Undrawn amount	\$0.7m ¹	
Loan expiry	23-Jul-23	
% of debt hedged	100.0% ²	
Loan to value ratio (LVR)	43.0% ³	57.5%
Interest cover ratio (ICR)	7.38 ⁴	2.0

1. As at 31 December 2021.

2. The Fund's drawn debt is fully hedged at a rate of 0.62% p.a. until 23 July 2023.

3. The LVR is based on the Fund's 50% interest and 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 \$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 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.

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.

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