

# Centuria

Fund Update  
March 2022

## Centuria ATP Fund

(ARSN 610 104 320)

### Key points

- As at 31 December 2021, the Net Asset Backing of the Fund increased to \$2.27 per unit
- Distributions remain at 11.85 cents per unit (annualised)
- Demand in the Sydney Fringe is recovering with 10,800 sqm of net absorption recorded in 2021

### Fund summary

Distributions for the **Centuria ATP Fund** (Fund) continue to be paid at 11.85 cents per unit (annualised), which is in line with the forecast for the 2022 financial year. 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.au](http://CenturiaInvestor.com.au).

According to JLL Research, while the Sydney Fringe market faced pressure during the pandemic due to the high proportion of small to medium size tenants, it did not experience the same amount of consolidation activity seen in other markets such as the Sydney CBD. Furthermore, these occupiers appear to be taking advantage of higher incentives, which is assisting the recovery in demand. This is reflected in the Sydney Fringe net absorption totalling 10,800 sqm during 2021. Future demand will potentially be driven by businesses moving into higher quality stock with lower rents than comparable CBD properties.

From a capital markets perspective, during the December 2021 quarter both Prime and Secondary yield ranges remained stable at 4.63% to 5.13% and 5.13% and 5.38% respectively.

The 31 December 2021 audited financial report is now available to download from the online investor portal at [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au). The report confirms the Net Asset Backing (NAB) of units in the Fund increased from \$2.11 (as at 30 June 2021) to \$2.27 (as at 31 December 2021), which is an exceptional result for investors. The increase is predominately due to an uplift in the value of the portfolio over this period, which was largely driven by a 37.5 basis point tightening of the capitalisation rate applied to the Biomed Building located at 1 Central Avenue, South Eveleigh, which is reflective of market appetite for high quality commercial office assets with long term leases to blue-chip tenants.



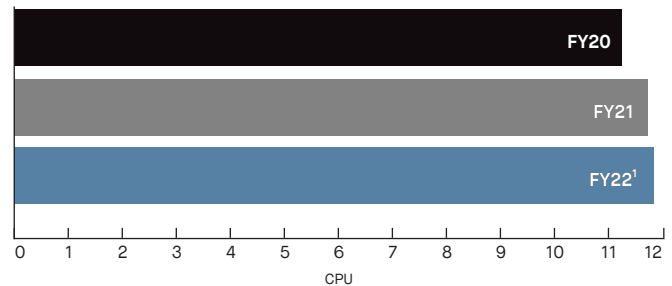
### Financial snapshot

<b>Fund commencement date</b>	22 April 2016
<b>Net asset backing</b>	\$2.27 <sup>1</sup>
<b>Distribution rate (cents per unit)</b>	11.85 <sup>2</sup>
<b>Weighted average lease expiry (WALE) (years)</b>	5.29 <sup>3</sup>
<b>Next investor vote on term of Fund</b>	22 April 2023

1. Based on the most recent audited accounts as at 31 December 2021 and after deducting the \$0.47 early return of capital made in February 2020.
2. March 2022 quarter, annualised.
3. As at 31 December 2021.

### Distribution details

#### ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate for the remainder of the 2022 financial year is forecast to remain at 11.85 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.

## Portfolio statistics

	INITIAL <sup>1</sup>	JUN-21	DEC-21
Net asset backing	\$0.94	\$2.11 <sup>2</sup>	\$2.27 <sup>2</sup>
Portfolio occupancy rate	100%	96%	94%
Weighted average lease expiry (WALE) (years)	4.8	5.8	5.3

1. Based on the Product Disclosure Statement dated 1 February 2016.

2. After deducting the \$0.47 early return of capital made in February 2020.

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

University of Sydney Lease expires 30 June 2031	34%
Data61/CSIRO Lease expires 30 June 2026	30%
Commonwealth of Australia (Dept. of Defence) Lease expires 31 Mar 2023	25%
Top Education Group Lease expires 31 Oct 2024	5%
Property NSW (Transport for NSW) Lease expires 31 May 2024	3%

The portfolio is currently 93.9% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 5.29 years as at 31 December 2021.

We are pleased to report that the refurbishment works at 6 Cornwallis Street have commenced and are anticipated to be completed towards the end of June. There has also been some relatively strong interest in leasing the property with a number of proposals issued, however unfortunately a tenant is yet to be secured. Nonetheless, the activity is encouraging and we are confident of a positive outcome shortly.

In addition, our dialogue with the Commonwealth of Australia (Department of Defence) regarding its lease expiry on 31 March 2023 over 4,910 sqm in the Data61/CSIRO building continues and we will hopefully be able to provide investors a greater indication of the tenant's intentions in the September 2022 Fund Update. Please note that the department also has a five year option, which it can exercise up until 30 September 2022.

## Portfolio details

PROPERTY ADDRESS	PURCHASE PRICE (APR 16)	PREVIOUS VALUATION - DIRECTORS' (JUN 21)	CURRENT VALUATION (DEC 21)	CAP RATE (DEC 21)	VALUER
13 Garden St, South Eveleigh NSW		\$136.0m	\$138.0m	5.50%	Cushman and Wakefield
1 Central Ave, South Eveleigh NSW		\$102.5m	\$113.0m	4.88%	JLL
6 Cornwallis St, South Eveleigh NSW		\$8.1m	\$9.4m	4.50%	MMJ
<b>TOTAL</b>	<b>\$104.0M</b>	<b>\$246.6m</b>	<b>\$260.4m</b>	<b>5.19%</b>	

## Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$103.7	
Undrawn amount	\$12.3 <sup>1</sup>	
Loan expiry	30-Jun-23	
% of debt hedged	54.7% <sup>2</sup>	
Loan to value ratio (LVR)	35.1% <sup>3</sup>	55.0%
Interest cover ratio (ICR)	5.54 <sup>4</sup>	2.0

1. As at 31 December 2021.

2. The Fund's drawn debt is 54.7% hedged until 15 December 2022.

3. The LVR is based on the most recent independent valuations 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 loan facility expires on 17 December 2022 and the drawn debt of \$91.4 million is 54.7% hedged at a fixed rate of 0.46% (in addition to the bank margin of 1.40%) until 15 December 2022. As a result of a recent increase in the facility limit by \$5.0m, there is also the ability to draw an additional \$12.3 million for future leasing and redevelopment costs associated with 6 Cornwallis Street, as well as 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.

**Disclaimer:** Issued by Centuria Property Funds Limited, ABN 11 086 553 639, holder of AFSL 231 149. The information in this document is general information only and does not take into account your personal financial circumstances, needs or objectives. We recommend you speak with your financial and/or taxation advisor before making any decisions in relation to your investment.