

# Centuria

## Fund Update September 2022 Centuria Industrial Income Fund No. 1

(ARSN 646 752 178)

### Key points

- As at 30 June 2022, the Net Asset Backing of the Fund increased to \$1.27 per unit
- Forecast distributions for FY23 confirmed at 6.75 cents per unit (annualised)
- Leasing demand across the Australian industrial market remains strong

### Fund summary

Distributions for the **Centuria Industrial Income Fund No. 1** (Fund) continue to be paid at 6.75 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](http://CenturiaInvestor.com.au).

#### Market Overview

- Despite record low vacancies, industrial leasing demand across Australia reached record highs in Q2 2022 with almost 1.5 million sqm leased in the period.
- Vacancy rates have fallen to new lows and currently average 1.0% nationally in Q2 2022, down from 2.3% in Q1 2022.
- The lack of leasing options has driven a further acceleration of rents across all markets. In Q2 2022, the national weighted average prime rent increased by 5.6%, representing a new record high.
- The supply pipeline for 2022 remains strong at approximately 2.5 million sqm, however, this is below the Q1 2022 estimate as weather and material delays have pushed the completion of a select number of projects into 2023.
- Given higher funding costs, prime yields have recorded modest levels of softening in Q2 2022 while asset values continued to grow given the significant growth in rents.
- The national weighted prime yield softened 16 basis points to 4.14% while selected markets recorded yield expansion closer to 25 basis points.

Source: Colliers 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](http://CenturiaInvestor.com.au). The report confirms the Net Asset Backing (NAB) of the Fund increased from \$1.26 per unit (as at 31 December 2021) to \$1.27 per unit (as at 30 June 2022), which was largely driven by an uplift in the portfolio's valuation and a change in the Mark to Market value of the Fund's derivative instruments over this period.

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 be \$1.24 per unit.

3. September 2022 quarter, annualised.



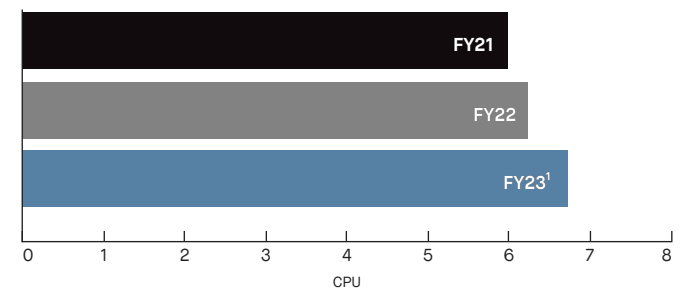
### Financial snapshot

<b>Fund commencement date</b>	15 March 2021
<b>Unit price</b>	\$1.29 <sup>1</sup>
<b>Net asset backing</b>	\$1.27 <sup>2</sup>
<b>Distribution rate (cents per unit)</b>	6.75 <sup>3</sup>
<b>Weighted average lease expiry (WALE) (years)</b>	7.7 <sup>1</sup>
<b>Next investor vote on term of Fund</b>	15 March 2027

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 six years.

### Distribution details

#### ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate of 6.75 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.

## Portfolio statistics

	INITIAL <sup>1</sup>	DEC-21	JUN-22
Net asset backing	\$0.87	\$1.26	\$1.27
Portfolio occupancy rate	100%	100%	100%
Weighted average lease expiry (WALE) (years)	9.1	8.3	7.7

## Top tenants by net lettable area (NLA)

<b>Bradnam's Windows and Doors</b> Lease expires 19 Jun 2031	48%
<b>ACFS Port Logistics</b> Lease expires 30 Jun 2024	22%
<b>Vulcan Steel</b> Lease expires 31 Jan 2031	15%
<b>Select Plant Hire</b> Lease expires 14 Jan 2029	15%

The portfolio is currently 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 7.7 years as at 30 June 2022.

## Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$40.5m	
Undrawn amount	\$0.9m <sup>2</sup>	
Loan expiry	15-Mar-24	
% of debt hedged	52.7% <sup>3</sup>	
Loan to value ratio (LVR)	45.0% <sup>4</sup>	60.0%
Interest cover ratio (ICR)	7.25 <sup>5</sup>	2.0

Under the Fund's three year facility, the drawn debt has been increased to \$39.64 million in order to facilitate the acquisition of 431 Victoria Road and 52.7% of it is hedged at a fixed rate of 0.29% (in addition to the bank margin of 1.75%) until 15 March 2024. There is also the ability to draw an additional \$888,425 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 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](mailto:Property.Enquiry@CenturiaInvestor.com.au).

## Portfolio details

PROPERTY ADDRESS	PURCHASE PRICE	PREVIOUS VALUATION - INDEPENDENT (DEC 21)	CURRENT VALUATION (JUN 22)	CAP RATE (JUN 22)	VALUER
2-8 Titanium Crt, Crestmead QLD	\$12.4m	\$15.5m	\$15.5m	4.50%	Directors'
136 Zillmere Rd, Boondall QLD	\$39.6m	\$49.8m	\$50.3m	4.38%	Directors'
68-70 Kapara Rd, Gillman SA	\$10.5m	\$12.0m	\$12.0m	6.00%	Directors'
431 Victoria Rd, Malaga WA	\$10.8m		\$10.8m	5.00%	
<b>TOTAL</b>	<b>\$73.3m</b>	<b>\$68.2m</b>	<b>\$88.6m</b>	<b>4.69%</b>	

The properties were subject to Directors' valuations for the purposes of the 30 June 2022 audited financial report and the key metrics of these valuations are outlined in the table above.

**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.

- Based on the Product Disclosure Statement dated 1 February 2021.
- As at 30 June 2022.
- The Fund's drawn debt is 52.7% hedged until 15 March 2024.
- The LVR is based on 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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