

Centuria

Fund Update
March 2022

Centuria Sandgate Road Fund

(ARSN 618 152 702)

Key points

- As at 31 December 2021, the Net Asset Backing of the Fund is \$0.89 per unit
- Distributions remain at 7.75 cents per unit (annualised)
- Terms agreed with the State of Queensland for a five year lease over 1,469 sqm on level 2

Fund summary

Distributions for the **Centuria Sandgate Road Fund** (Fund) have been increased to 7.75 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, even though it has been a volatile year from an office leasing demand perspective as occupiers continue to assess space requirements, the Brisbane Near City market recorded 17,608 sqm of positive net absorption over 2021. As a result, headline vacancy reduced by 0.5% to 17.9% and it is anticipated that Prime-grade vacancy will tighten further due to a 'flight to quality', particularly from smaller occupiers. However, the current supply pipeline in the Brisbane Near City market is significant, therefore market rents are anticipated to remain relatively stable throughout 2022.

For the third consecutive quarter in December 2021, the Prime yield range within the Brisbane Near City market remained unchanged at 5.75% to 7.25%.

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 remained at \$0.89 since 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

Fund commencement date	7 July 2017
Net asset backing	\$0.89 ¹
Distribution rate (cents per unit)	7.75 ²
Weighted average lease expiry (WALE) (years)	5.13 ³
Next investor vote on term of Fund	7 July 2023

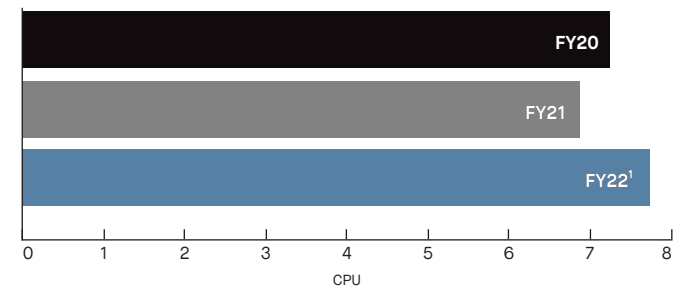
1. Based on the most recent audited accounts as at 31 December 2021. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would be \$0.90.

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 7.75 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	1231-1241 Sandgate Road, Nundah QLD
Purchase price (Jul 17)	\$106.3m
Previous valuation – Directors' (Jun 21)	\$109.0m
Current valuation (Dec 21)	\$109.0m
Cap rate (Dec 21)	6.25%
Valuer	Cushman and Wakefield

The property was subject to a Directors' 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)

Energex Lease expires 14 Nov 2027	67%
Go Health Clubs Lease expires 6 Dec 2027	16%
Powerlink Queensland Lease expires 3 Dec 2022	11%
Nundah Village Dental Lease expires 31 Oct 2022	2%
Sushi Edo Lease expires 2 Apr 2026	1%

The property is currently 99.3% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 5.13 years as at 31 December 2021.

We are pleased to report that terms have been agreed with the current sub-tenant on level 2, The State of Queensland (Department of Education, Department of Employment, Small Business and Training), for a new five year lease over 1,469 sqm. This is a great result for investors as there will be no downtime over this space and it is the only material lease expiry within the property until the Energex term comes up in November 2027. Furthermore, the agreed rent of \$600 per sqm gross is in excess of the average office market rent adopted in the 31 December 2021 valuation of \$560 per sqm gross.

Property statistics

	INITIAL ¹	JUN-21	DEC-21
Net asset backing	\$0.90	\$0.89	\$0.89
Property occupancy rate	100%	100%	99%
Weighted average lease expiry (WALE) (years)	9.4	5.6	5.1

1. Based on the Product Disclosure Statement dated 7 April 2017.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$48.3m	
Undrawn amount	\$0.50m ¹	
Loan expiry	7-Jul-22	
% of debt hedged	100.0% ²	
Loan to value ratio (LVR)	43.9% ³	57.5%
Interest cover ratio (ICR)	4.49 ⁴	2.0

1. As at 31 December 2021.

2. The Fund's drawn debt is fully hedged at a rate of 2.10% until 7 July 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 drawn debt remains at \$47.8 million, which is 100% hedged at a fixed rate of 2.10% p.a. (in addition to the bank margin of 1.80% p.a.) until 7 July 2022, with the ability to draw an additional \$500,000.

We are also in the process of refinancing the Fund's debt facility and will provide further information in the September 2022 Fund Update.

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.

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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