

Centuria

Fund Update
March 2023

Centuria 111 St Georges Terrace Fund

(ARSN 098 126 660)

Key points

- As at 31 December 2022, the Net Asset Backing of the Fund was \$3.83 per unit.
- Distributions remain at 30.00 cents per unit (annualised).
- The portfolio is approximately 95.06% occupied with a Weighted Average Lease Expiry (WALE) of approximately 3.49 years.
- Fair Work Commission signed for a new 10-year term 1,085.3 sqm or 5.75% by NLA.

Fund summary

Distributions for the **Centuria 111 St Georges Terrace Fund** (Fund) for FY2023 are forecast to remain at 30.00 cents per unit (annualised). The corresponding distribution statement for the Fund can be accessed from our online investor portal at CenturiaInvestor.com.au.

Management continues to monitor upcoming lease expiries and is actively marketing vacant space. Management is pleased to report that we have signed four new leases totalling 1,917.1 sqm, which equates to 10.1% by NLA. These new leases are testament to our proactive leasing engagement and the high demand for premium office space in the area.

Furthermore, there are currently ongoing negotiations with WAIRC for a 7-year extension over 2,903 sqm or 15.4% by NLA.

For the retail accommodation Sentinel Bar and Grill have signed a new 10-year lease from January 2023. Sentinel have undertaken a cosmetic refresh of their accommodation and we are pleased to have their continued presence in the building. However, due to the escalation of proposed works, the wider refurbishment plans are on hold for the time being.

Management is focusing on the delivery of another two speculative suites to meet market demand with completion expected July 2023, these will be on level 9 (264 sqm) and level 11 (428 sqm). With these recent activities, the occupancy rate of the building will increase to 95.06%, which is very encouraging.

Management report that a hedge was executed for 50% of the debt facility providing a level of insulation against interest rate volatility.

The 31 December 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 units in the Fund decreased from \$3.99 (as at 30 June 2022) to \$3.83 (as at 31 December 2022).



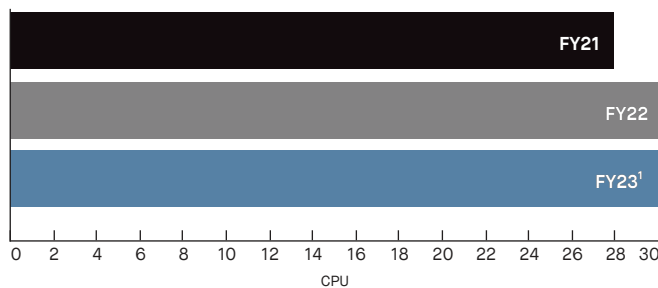
Financial snapshot

| | |
|---|--------------------|
| Fund commencement date | 31 January 2002 |
| Net Asset Backing | 3.83 ¹ |
| Distribution rate (cents per unit) | 30.00 ² |
| Weighted average lease expiry (WALE) (years) by Income | 3.5 ³ |
| Fund Term Expiry | 31 January 2027 |

Please note that from 31 December 2022 the methodology for calculating Net Asset Backing has been updated to include a liability, where applicable, for the estimated future Performance Fees payable by the Fund.

Distribution details

ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate for the remainder of the 2023 financial year is forecast to remain at 30.00 cents per unit (annualised). Should there be any material departures from this forecast, an out of cycle Investor update will be provided.

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 and no material changes to the Fund's financial obligations. Centuria will provide an update in June 2023 to confirm the forecast distribution rate for the 2024 financial year. Centuria will also incorporate the increased cost of interest rates in the distribution forecast, which may have an impact on the 2024 financial year distribution rate.

1. Net Asset Backing = Net Assets divided by the number of Units on Issue. For investment structures where the Units on Issue are not reflective of the dollar value of investments (i.e. Syndicates), Net Assets are divided by the original investor equity contribution in dollar terms. Net Assets are adopted from Balance Sheets as at 31 December 2022.
2. March quarter, annualised.
3. As at 31 March 2023.

Property details

| ASSET VALUES | |
|-----------------------------|----------------------------------|
| Property address | 111 St Georges Terrace, Perth WA |
| Purchase price (Jul 02) | \$42.50m |
| Previous valuation (Dec 21) | \$160.50m |
| Current valuation (Jun 22) | \$160.50m |
| Cap rate (Jun 22) | 6.50% |
| Valuer | Cushman |

The key metrics of the 30 June 2022 valuation are outlined in the table above.

Since the prior valuation (June 2022) new deals captured include, Fair Work Commission (1,085.3 sqm), Vescient Pty Ltd (279.6 sqm), Securitech (105 sqm), EMM Consultants (281.2 sqm) and Sentinal (77 sqm) noting vacancy has reduced to 4.1% from 7.5%. Expiry allowances increased from 26% of NLA up to 43% of NLA. On balance, value maintained. In addition, there has been no change to the cap rate of 6.5%.

Top five tenants by net lettable area (NLA)

| | |
|---|-------|
| WA Industrial Relations Commission Lease expires 30 Jun 2024 | 15.4% |
| Commonwealth of Australia Lease expires 30 Nov 2032 | 15.3% |
| Bank of Queensland Limited Lease expires 31 Jul 2029 | 10.2% |
| Minister for Works Lease expires 31 Dec 2026 | 9.0% |
| 21st Century Lease expires 31 Jul 2027 | 5.1% |

We are pleased to advise that as a result of recent leasing success and the Property is 95.06% occupied, with a WALE by income of approximately 3.49 years as at 31 March 2023, which is an excellent result for investors.

Property statistics

| | SEP-22 | MAR-23 |
|--|-------------------|-------------------|
| Net Asset Backing | 3.99 ¹ | 3.83 ² |
| Property occupancy rate | 92% | 95% |
| Weighted average lease expiry (WALE) (years) by Income | 2.9 | 3.5 |

Debt summary

| | CURRENT PERIOD | LOAN COVENANTS |
|----------------------------|----------------------|----------------|
| Total facility limit | \$90.00m | |
| Undrawn amount | \$5.96m ³ | |
| Loan expiry | 30 June 2025 | |
| % of debt hedged | 50.0% ⁴ | |
| Loan to value ratio (LVR) | 56.1% ⁵ | 60.0% |
| Interest cover ratio (ICR) | 4.55 ⁶ | 1.75 |

Financier approved three-year extension to the debt facility which expired 30 June 2022.

The financial year to date has seen the Reserve Bank of Australia increase the Official Cash Rate, from a record low setting of 0.10% in May 2022 to 3.35% as at 28 February 2023, which has a direct impact on the cost of debt and financial performance of the Fund. Whilst management has continued to monitor and stress test the impact of interest rate rises, the next three months will see fund budgets reforecast in entirety with an update provided to investors in June 2023.

A hedge was executed for 50% at of the debt facility at 3.64%, providing a level of insulation against interest rate volatility until the hedge expires in June 2025.

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.

1. As at 30 June 2022.
2. As at 31 December 2022.
3. As at 31 March 2023.
4. As at 31 March 2023, 50% of the Trust's debt is hedged until 15 June 2025.
5. The LVR is based on the most recent independent valuation as defined under the debt facility agreement.
6. Based on the most recent audited accounts as at 31 December 2022.

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