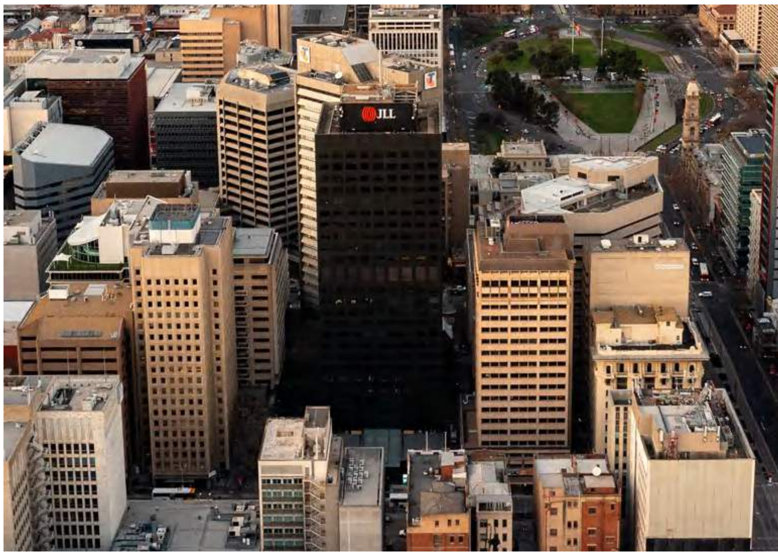
Centuria

Fund Update
March 2023

Centuria 25 Grenfell Street Fund

(ARSN 656 250 154)



Key points

- The Minister for Transport & Infrastructure has given notice that it will be vacating five of it's six floors (4,756 sqm) on expiry in January 2024.
- Last remaining suite on Level 1 leased to law firm Wotton Kearney.
- Level 3 speculative fitouts now complete and on the market for lease.
- WALE and occupancy increased to 3.76 and 94% respectively as at 31 December 2022.
- The Net Asset Backing of the Fund increased from $1.00 to $1.02 per unit as at 31 December 2022.
- Forecast distributions for FY23 remains at 7.10 cents per unit (annualised).

Fund summary

Monthly distributions for FY23 will continue to be paid at 7.10 cents per unit (annualised), which is in line with the forecast included within the Fund's Product Disclosure Statement (PDS) dated 21 February 2022. The corresponding distribution statement for the Fund can be accessed from our online investor portal at **CenturiaInvestor.com.au**.

Market Overview

- An increase in supply has been the catalyst for an uplift in the Adelaide CBD vacancy rate, which rose 0.4% during the December 2022 quarter to 16.5%. However, new developments have largely been pre-committed with positive occupier demand for prime assets and it's the lower grade backfill space primarily driving the result.
- Average prime net rents increased by 5.1% over the past 12 months and incentives have remained broadly stable at 38.8% (based on a 10-year lease). Therefore, in 2022 average prime gross effective rents increased by a healthy 3.8%.
- Investor activity significantly increased in 4Q22, rising 66% from the previous period. There were two transactions recorded, totalling $131.6 million.
- Prime yields softened 25 basis points to a midpoint of 6.07% and this reflects a 32 basis point decompression during the 2022 calendar year.
- The Property Council of Australia survey for January 2023 once again found that the Adelaide CBD's office occupancy rate is one of the highest in the country at 80%. Second only to the Perth CBD at 81%.

Source: PCA/JLL Research

31 December 2022 Net Asset Backing

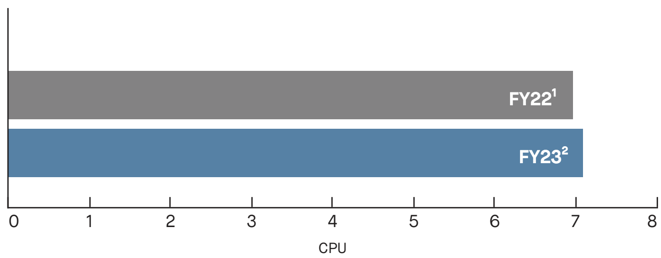
The 31 December 2022 audited financial report is now available to download from the online investor portal at **CenturiaInvestor.com.au.** The report confirms the Net Asset Backing (NAB) of units in the Fund increased from $1.00 (as at 30 June 2022) to $1.02 (as at 31 December 2022). The increase in the Fund's NAB has been predominantly driven by valaution upflit as a reuslt of leasing deals completed over the period justifying an increase in market rents, which has been slightly offset by a 12.5 basis point softening in the asset's capitalisation rate.

Financial snapshot

Fund commencement date	1 April 2022
Unit price	$1.07
Net asset backing	$1.02[1]
Distribution rate (cents per unit)	7.10[2]
Weighted average lease expiry (WALE) (years)	3.76[3]
Next investor vote on term of Fund	31 March 2027

Distribution details

ANNUALISED DISTRIBUTION



1. Annualised
2. FY23 forecast

The distribution rate of 7.10 cents per unit (annualised) is in line with the FY23 forecast included within the PDS. 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.

1. Based on most recent audited accounts (31 December 2022). Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would be $0.99.
2. December 2022 quarter annualised.
3. As at 31 December 2022 and including vendor rental guarantees that range from 12 months to two years over all remaining vacant spaces.

If any change to the forecast distribution rate is required, an out of cycle update will be provided to investors.

Centuria will provide an update in June 2023 to confirm the forecast distribution rate for FY24. Centuria will also incorporate the increased cost of interest rates and the imminent Minster for Transport & Infrastructure expiry in the distribution forecast, which will have an impact on the FY24 distribution rate.

Property details

ASSET VALUES	
Property address	25 Grenfell Street, Adelaide SA
Purchase price (Feb 22)	$73.7m[1]
Previous valuation (June 22)	$75.25m
Current valuation (Dec 22)	$81.25m
Cap rate (Dec 22)	6.375%
Valuer	Savills

The property was subject to an independent valuation for the purposes of the 31 December 2022 audited financial report and the key metrics of this valuation are outlined in the table above.

Top five tenants by net lettable area (NLA)

Minister for Transport & Infrastructure Lease expires 31 Jan 2024	23.3%
Minter Ellison Lease expires 31 Dec 2032	10.7%
Aurecon Lease expires 30 April 2030	10.3%
Lipman Karas Lease expires 10 Dec 2027	8.7%
Regus (IWG) Leases expire 30 April 2025 & 30 Nov 2032	8.5%

The property is 100% occupied with a weighted average lease expiry of approximately 3.76 years as at 31 December 2022. Please note these figures include a vendor rental guarantee over all vacant space. Excluding rental guarantees, the property is ~94% occupied by NLA.

Property statistics

	INITIAL[2]	JUN-22	DEC-22
Net asset backing	$0.97	$1.00	$1.02
Property occupancy rate[3]	90%	90%	94%
Weighted average lease expiry (WALE) (years)[4]	3.9	3.3	3.8

Minister for Transport and Infrastructure Expiry

Despite an incredibly competitive offer - in March 2023, the Minister for Transport & Infrastructure (MTI) gave notice that they will be vacating five of six floors (4,756 sqm of 5,834 sqm) on expiry in January 2024. The expiry represents ~19% of the building by NLA, and releasing the floors will require comprehensive refurbishment of the tenancies and common areas of the building.

The refurbishment is in line with the Fund's original value-add strategy and will assist with tenant retention, as well as enhance the saleability of the asset in the future.

Management has briefed designers and leasing agents, with the aim of completing works as soon as possible in order to minimise downtime. The vacating floors (Part Level 12, Level 13 & Levels 15 – 17) are situated in the buildings highrise, with excellent access to natural light and views.

As previously mentioned, the MTI vacation will have an impact on the forecast distributions in FY24. The material nature of the expiry will also trigger a notification to the Fund's financier, who may place additional requirements on the Fund in the near term.

An out of cycle update will be issued in June 2023, providing an update on the refurbishment program and confirming the forecast distribution rate for FY24.

Leasing Update

Despite the pending vacation of MTI, the asset is leasing well. We have nearly agreed terms over the remaining Level 14, and have executed leases over 4,700 sqm since inception of the Fund in April 2022.
A summary of leasing deals completed over the six months to March 23 is as follows:

- Retail Plaza T1 (177 sqm) - Two year lease to Borsa Cucina Pasta over a suite in the ground floor retail plaza.
- Level 1 (201 sqm) - Three year lease to Wotton Kearney, a law firm with nine offices across Australia and New Zealand.
- Level 6 (338 sqm) - Five year lease to the Minister for Infrastructure & Transport.

We look forward to providing investors further updates on both leasing, as well as capital expenditure programs as they are completed.

1. Gross acquisition price / valuation (excluding outstanding incentives) was $83.3m.
2. Based on the Product Disclosure Statement dated 21 February 2022.
3. The property is subject to vendor rental guarantees of between 12 months and two years. The property is 100% leased including these guarantees.
4. WALE calculations are inclusive of vendor rental guarantees of between 12 months and two years over vacant spaces.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	$41.7m[1]	
Undrawn amount	$4.1m[1]	
Loan expiry	31-Jan-25	
% of debt hedged	80.0%[2]	
Loan to value ratio (LVR)	44.5%[3]	57.50%
Interest cover ratio (ICR)	3.72[4]	2.50

The Fund currently has $37.6 million in drawn debt. which is 80% hedged at a fixed rate of 1.50% (in addition to the bank margin of 1.425%) until 28 February 2025, with the ability to draw an additional $4.1 million 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 31 December 2022, the Fund remains compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Valuation 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.

1. As at 31 December 2022.
2. As at 31 December 2022, Fund's drawn debt is partially hedged until 28 February 2025.
3. The LVR is as at 31 December 2022 and based on the most recent independent gross valuation as defined under the debt facility agreement.
4. The stated ICR figures are based on the most recent audited accounts (31 December 2022).