

# Centuria

Fund Update

March 2023

## Centuria 348 Edward Street Fund

(ARSN 636 584 515)

### Key points

- FY23 monthly distributions have remained stable at 5.25 cpu (annualised).
- Leasing traction achieved including tenant renewals and new leases.
- 31 December 2022 Net Asset Backing confirmed at \$0.87 per unit.
- The property is 100% occupied with a weighted average lease expiry (WALE) of approximately 2.8 years.

### Fund summary

Distributions for the **Centuria 348 Edward Street Fund** (Fund) have been paid in line with the FY23 forecast of 5.25 cents per unit (annualised). 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](https://www.centuriainvestor.com).

We are pleased to report that three leasing deals have been completed over the half year, with Queensland Sugar (705sqm), QCN Fibre (213sqm) and 3CS (142sqm). Queensland Sugar and 3CS are both existing tenants, which are extending their leases within the building. QCN Fibre is replacing an exiting tenant and a welcome addition to the property.

The 31 December 2022 audited financial report is now available to download from our online investor portal at [CenturiaInvestor.com](https://www.centuriainvestor.com). The report confirms the Fund's Net Asset Backing (NAB) per unit remained stable at \$0.87 (as at 31 December 2022).

### Financial snapshot

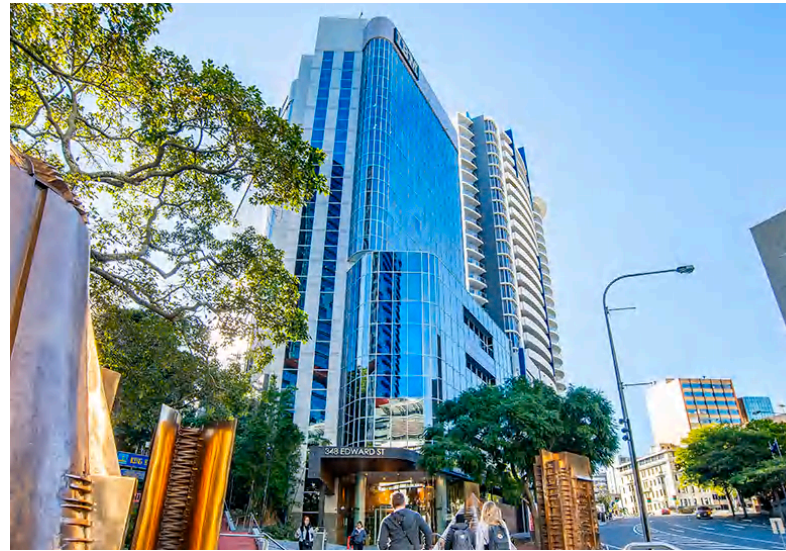
<b>Fund Commencement Date</b>	12 December 2019
<b>Unit Price</b>	\$0.92 <sup>1</sup>
<b>Net Asset Backing</b>	\$0.87 <sup>2</sup>
<b>Distribution Rate (cents per unit)</b>	5.25 <sup>3</sup>
<b>Weighted Average Lease Expiry (WALE) (years)</b>	2.77 <sup>1</sup>
<b>Next Investor Vote on Term of Fund</b>	12 December 2024

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 five years.

1. As at 31 December 2022.

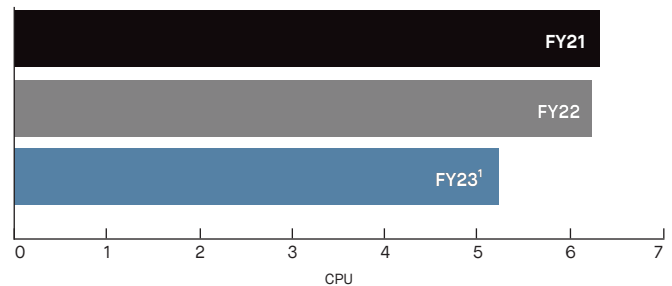
2. Based on most recent audited accounts (31 December 2022). Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at \$0.87.

3. December 2022 quarter annualised.



### Distribution details

#### ANNUALISED DISTRIBUTION



1. FY23 Forecast.

The distribution rate for the remainder of the 2023 financial year is forecast to remain at 5.25 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.

## Property details

ASSET VALUES	
Property Address	348 Edward Street, Brisbane, QLD
Purchase Price (Dec 19)	\$79.0m <sup>1</sup>
Previous Valuation (Jun 22)	\$88.5m
Current Valuation (Dec 22)	\$88.5m
Cap Rate (Dec 22)	6.25%
Valuer	Cushman & Wakefield

The key metrics of the 31 December 2022 valuation are outlined in the table above.

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

<b>Deswik</b> Lease expires 30 Nov 2027	23.6%
<b>BMT Eastern Australia</b> Lease expires 31 Jan 2028	13.3%
<b>Dealer Solutions</b> Lease expires 31 Aug 2023	7.9%
<b>The Citadel Group</b> Lease expires 31 Jan 2025	7.9%
<b>First Mortgage Services</b> Lease expires 30 Sep 2025	7.5%

The Weighted Average Lease Expiry (WALE) by income is approximately 2.77 years as at 31 December 2022.

## Property statistics

	INITIAL <sup>2</sup>	JUN-22	DEC-22
Net Asset Backing	\$0.88	\$0.87	\$0.87
Property Occupancy Rate	88%	100%	100%
Weighted Average Lease Expiry (WALE) (years)	5.10	3.10	2.77

## Market overview

- Headline vacancy decreased over the quarter to 13.99% following significant tenant activity.
- Net absorption was positive during the December 2022 quarter, recording 22,033 sqm positive absorption.
- Both prime gross effective rents and secondary gross effective rents have recorded increases of 1.1% and 0.3% respectively over the December 2022 quarter.
- Transactions over 4Q22 totalled \$431.1.0 million, with the most material transaction being the sale of 53 Albert Street in the CBD for \$150 million (50% share). Cautious investment continues to temper sale volumes in the Brisbane market

Source: JLL Research 2022(Q4)

## Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total Facility Limit	\$46.7m <sup>3</sup>	
Undrawn Amount	\$8.2m <sup>3</sup>	
Loan Expiry	1 Dec 2024	
% of Debt Hedged	85.0% <sup>4</sup>	
Loan to Value Ratio (LVR)	43.80% <sup>5</sup>	60.0%
Interest Cover Ratio (ICR)	3.68 <sup>6</sup>	2.0

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 Value Ratio (LVR).

In May 2022 the Reserve Bank of Australia (RBA) increased the cash rate for the first time in 11 years as a result of inflationary pressures experienced within the economy. Subsequently the RBA has executed several rate increases with the current cash rate at 3.60% (March 2023). Interest rates rises have a direct impact to the cost of debt and financial performance of the Fund. Centuria management has continued to monitor and stress test interest rates for the Fund. FY24 Fund budgets will be forecast in the coming months, and a FY24 distribution forecast will be provided to investors in June 2023.

1. Acquisition price / valuation including incentives was \$89.0m.
2. Based on the Product Disclosure Statement dated 31 October 2019.
3. As at 30 June 2022.
4. As at 30 June 2022, Fund's drawn debt is hedged until 12 December 2022.
5. The LVR is as at 30 June 2022 and based on the most recent independent valuation as defined under the debt facility agreement.
6. The stated ICR figures are based on the most recent audited accounts (30 June 2022).

## 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**.

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**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.

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