

# Centuria

Fund Update  
March 2023

## Centuria 8 Central Avenue Fund No. 2

(ARSN 605 264 211)

### Key points

- FY23 monthly distributions have remained stable at 7.75 cpu (annualised).
- 31 December 2022 Net Asset Backing confirmed at \$1.81 per unit.
- Level 8 refurbishment complete, lease proposal issued.
- The property is 97% occupied with a weighted average lease expiry (WALE) of approximately 7.03 years.

### Fund summary

Distributions for the **Centuria 8 Central Avenue Fund No.2** (Fund) have been paid in line with the FY23 forecast of 7.75 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 the Level 8 tenancy (1,257sqm or ~3% by NLA) has recently been refurbished to a high standard. The refurbished tenancy presents particularly well, reviving several positive leasing inspections from prospective tenants. A leasing proposal has recently been issued, and we look forward to providing a further update to Investors in the near future.

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 reduced from \$1.88 (as at 30 June 2022) to \$1.81 (as at 31 December 2022). The change in the NAB is a result of the reduction in the value of the Fund's investment property, which is reflective of prevailing market conditions.

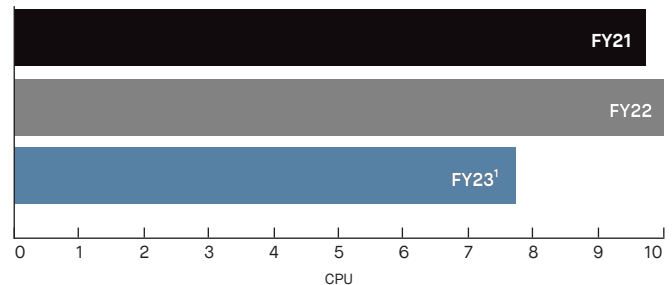


### Financial snapshot

<b>Fund Commencement Date</b>	1 July 2015
<b>Net Asset Backing</b>	\$1.81 <sup>1</sup>
<b>Distribution Rate (cents per unit)</b>	7.75 <sup>2</sup>
<b>Weighted Average Lease Expiry (WALE) (years)</b>	7.03 <sup>3</sup>
<b>Next Investor Vote on Term of Fund</b>	1 January 2024

### Distribution details

#### ANNUALISED DISTRIBUTION



1. FY2023 Forecast.

The distribution rate for the remainder of the 2023 financial year is forecast to remain at 7.75 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. Based on most recent audited accounts (31 December 2022) and after deducting the \$0.27 early return of capital made in March 2021. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at \$1.81.
2. December 2022 quarter annualised.
3. As at 31 December 2022.

## Property details

ASSET VALUES	
Property Address	8 Central Avenue, South Eveleigh, NSW
Purchase Price (Jul 15)	\$109.4m <sup>1</sup>
Previous Valuation (Jun 22)	\$210.0m <sup>1</sup>
Current Valuation (Dec 22)	\$205.5m <sup>1</sup>
Cap Rate (Dec 22)	5.125%
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)

Pacific Magazines Lease expires 31 Dec 2029	25.5%
Government Property NSW Lease expires 30 Nov 2025	21.1%
NEP Australia Lease expires 31 Dec 2044	18.8%
Seven Network Lease expires 31 Dec 2029	15.8%
SpeedX Lease expires 31 Aug 2025	8.2%

The property is 97% occupied with a weighted average lease expiry (WALE) by income of approximately 7.03 years as at 31 December 2022.

## Property statistics

	INITIAL <sup>2</sup>	JUN-22	DEC-22
Net Asset Backing	\$0.90	\$1.88 <sup>3</sup>	\$1.81 <sup>3</sup>
Property Occupancy Rate	100%	97%	97%
Weighted Average Lease Expiry (WALE) (years)	10.97	7.98	7.03

## Market overview

- Net leasing absorption of 18,519 sqm was recorded in the Sydney Fringe during the December 2022 quarter and headline vacancy decreased by 0.7% to 8.7% during the period.
- Prime gross effective rents increased by 1.2%, secondary rents increased by 0.4% during the December 2022 quarter.
- Prime and secondary incentives increased 1% (to 29.5%) and 0.4% (to 25.6%) respectively.
- There are currently three projects under construction that will add a total of 18,519 sqm to the market once completed over 2023.
- Two sales were recorded over the quarter with a total value of AUD 143.6 million.
- Prime yields decompressed by 13 bps on the upper end and 25 bps on the lower over the quarter to range between 4.88% - 5.50%. Secondary yields decompressed 13 bps on both ends to range between 5.13% - 5.63%.

Source: JLL Research 2022(Q4)

## Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total Facility Limit	\$85.1m <sup>4</sup>	
Undrawn Amount	5.1m <sup>4</sup>	
Loan Expiry	8 Jan 2024	
% of Debt Hedged	24.3% <sup>5</sup>	
Loan to Value Ratio (LVR)	38.1% <sup>6</sup>	60.0%
Interest Cover Ratio (ICR)	4.67 <sup>7</sup>	1.95

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.

## 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

**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 50% of the property.
- Based on the Product Disclosure Statement dated 8 April 2015.
- After deducting the \$0.27 early return of capital made in March 2021.
- As at 30 June 2022.
- As at 30 June 2022, Fund's drawn debt is partially hedged until 18 June 2023.
- The LVR is as at 30 June 2022 and 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 (30 June 2022).

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