

# Centuria

Fund Update  
March 2023

## Centuria 80 Flinders Street Fund

(ARSN 634 979 838)

### Key points

- As at 31 December 2022, the Net Asset Backing of the Fund is \$1.07 per unit
- Forecast distributions for FY23 confirmed at 6.25 cents per unit (annualised)
- Positive occupier demand remains for prime assets, which has resulted in rental growth

### Fund summary

Distributions for the **Centuria 80 Flinders Street Fund** (Fund) continue to be paid at 6.25 cents per unit (annualised), which is in line with the forecast for the 2023 financial year. The corresponding distribution statement for the Fund can be accessed from our online investor portal at [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au).

#### Market Overview

- An increase in supply has been the catalyst for an uplift in the Adelaide CBD vacancy rate by 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, 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: JLL Research/Property Council of Australia

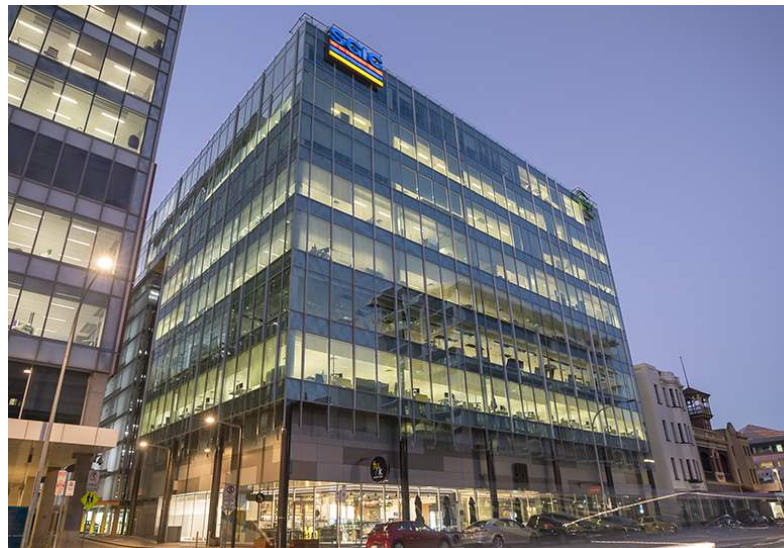
#### 31 December 2022 Net Asset Backing

The 31 December 2022 audited financial report is now available to download from the online investor portal at [CenturiaInvestor.com.au](http://CenturiaInvestor.com.au). The report confirms the Net Asset Backing (NAB) per unit in the Fund decreased marginally from \$1.08 (as at 30 June 2022) to \$1.07 (as at 31 December 2022), which was largely driven by a reduction in the property's valuation due to a softening in the capitalisation rate by 25 basis points to 5.75%, which was offset to some extent by market rental growth achieved within the Adelaide CBD.

1. As at 31 December 2022.

2. Based on the most recent audited accounts as at 31 December 2022. Without the Mark to Market of the Fund's interest rate swap, the NAB per unit in the Fund would remain at \$1.07.

3. December 2022 quarter, annualised.



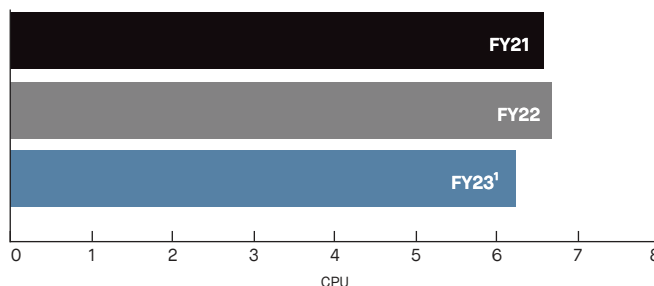
### Financial snapshot

|   |                     |
|---|---------------------|
| <b>Fund commencement date</b>                       | 30 Sep 2019         |
| <b>Unit price</b>                                   | \$1.09 <sup>1</sup> |
| <b>Net asset backing</b>                            | \$1.07 <sup>2</sup> |
| <b>Distribution rate (cents per unit)</b>           | 6.25 <sup>3</sup>   |
| <b>Weighted average lease expiry (WALE) (years)</b> | 4.3 <sup>1</sup>    |
| <b>Next investor vote on term of Fund</b>           | 30 Sep 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.

### Distribution details

#### ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate of 6.25 cents per unit (annualised) is in line with the 2023 financial year forecast. 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 interest rates.

In relation to the 2024 financial year, an update will be provided to investors in June 2023 to confirm the forecast distribution rate for the upcoming period. This will include any associated increases in the cost of debt, which will have an impact on the guidance provided.

## Property details

| ASSET VALUES                              |                                 |
|---|---------------------------------|
| Property address                          | 80 Flinders Street, Adelaide SA |
| Purchase price (Sep 19)                   | \$123.4m <sup>1</sup>           |
| Previous valuation – Independent (Jun 22) | \$137.5m                        |
| Current valuation (Dec 22)                | \$137.0m                        |
| Cap rate (Dec 22)                         | 5.75%                           |
| Valuer                                    | Knight Frank                    |

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)

|   |     |
|---|-----|
| <b>Beach Energy</b><br>Lease expires 31 May 2026        | 27% |
| <b>Wilson Parking</b><br>Lease expires 28 Feb 2030      | 26% |
| <b>BAE Systems</b><br>9 Sep 2025                        | 17% |
| <b>Insurance Australia</b><br>Lease expires 18 Aug 2026 | 14% |
| <b>Lucid Consulting</b><br>Lease expires 23 Sep 2026    | 6%  |

The property is currently 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 4.3 years as at 30 June 2022.

## Property statistics

|  | INITIAL <sup>2</sup> | JUN-22 | DEC-22 |
|--|----------------------|--------|--------|
| Net asset backing                            | \$0.95               | \$1.08 | \$1.07 |
| Property occupancy rate                      | 100%                 | 100%   | 100%   |
| Weighted average lease expiry (WALE) (years) | 4.0                  | 4.8    | 4.3    |

## Debt summary

|                            | CURRENT PERIOD       | LOAN COVENANTS |
|----------------------------|----------------------|----------------|
| Total facility limit       | \$62.0m              |                |
| Undrawn amount             | \$3.15m <sup>3</sup> |                |
| Loan expiry                | 30-Sep-24            |                |
| % of debt hedged           | 42.3% <sup>4</sup>   |                |
| Loan to value ratio (LVR)  | 43.0% <sup>5</sup>   | 57.5%          |
| Interest cover ratio (ICR) | 3.78 <sup>6</sup>    | 2.0            |

The Fund's drawn debt is \$58.85 million, which is 42.3% hedged at a fixed rate of 3.46% (in addition to the bank margin of 1.50%) until 15 September 2023, with the ability to draw an additional \$3.15 million to provide further liquidity and to fund future leasing related costs, as well as 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 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](mailto: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. Acquisition price including outstanding incentives was \$127.0m.
2. Based on the Product Disclosure Statement dated 14 August 2019.
3. As at 31 December 2022.
4. The Fund's drawn debt is 42.3% hedged at a rate of 3.46% p.a. until 15 September 2023.
5. The LVR is 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 as at 31 December 2022.

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