

# Centuria

## Fund Update

March 2023

## Centuria 80 Grenfell Street Fund

(ARSN 626 187 022)

### Key points

- As at 31 December 2022, the Net Asset Backing of the Fund is \$1.02 per unit
- Forecast distributions for FY23 confirmed at 8.25 cents per unit (annualised)
- Positive occupier demand remains for prime assets, which has resulted in rental growth

### Fund summary

Distributions for the **Centuria 80 Grenfell Street Fund** (Fund) continue to be paid at 8.25 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).

Please note, since the expiry of the Fund term is approaching in July 2023, it is anticipated that investors will receive a Notice of Meeting and Explanatory Memorandum to vote upon the future of the investment in June.

#### 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

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 remained at \$1.02.

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 \$1.00.
3. December 2022 quarter, annualised.



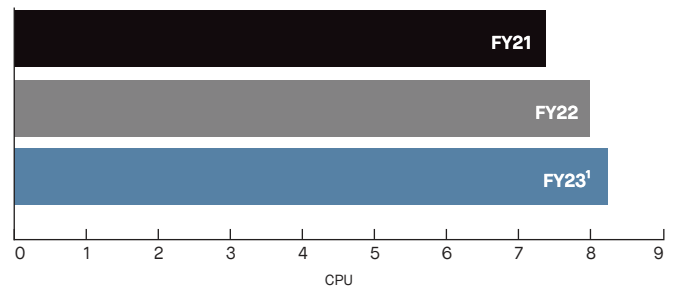
### Financial snapshot

<b>Fund commencement date</b>	23 July 2018
<b>Unit price</b>	\$1.02 <sup>1</sup>
<b>Net asset backing</b>	\$1.02 <sup>2</sup>
<b>Distribution rate (cents per unit)</b>	8.25 <sup>3</sup>
<b>Weighted average lease expiry (WALE) (years)</b>	3.2 <sup>1</sup>
<b>Next investor vote on term of Fund</b>	23 July 2023

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 8.25 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 <sup>1</sup>	
Property address	80 Grenfell Street, Adelaide SA
Purchase price (Jul 18)	\$92.3m
Previous valuation – Directors' (Jun 22)	\$96.6m
Current valuation (Dec 22)	\$96.5m
Cap rate (Dec 22)	5.50%
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 tenants by net lettable area (NLA)

<b>Bendigo and Adelaide Bank</b> Lease expires 17 Nov 2025	91%
<b>RP Data (CoreLogic)</b> Lease expires 30 Sep 2027	5%
<b>Civil Aviation Safety Authority</b> Lease expires 31 Jul 2030	4%

As at 31 December 2022, the property is 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 3.2 years.

## Property statistics

	INITIAL <sup>2</sup>	JUN-22	DEC-22
Net asset backing	\$0.93	\$1.02	\$1.02
Property occupancy rate	100% <sup>3</sup>	100%	100%
Weighted average lease expiry (WALE) (years)	7.3	3.5	3.2

## Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$42.2m	
Undrawn amount	\$0.7m <sup>4</sup>	
Loan expiry	23-Jul-23	
% of debt hedged	100.0% <sup>5</sup>	
Loan to value ratio (LVR)	43.0% <sup>6</sup>	57.5%
Interest cover ratio (ICR)	7.42 <sup>7</sup>	2.0

The Fund's drawn debt remains at \$41.5 million, which is 100% hedged at a fixed rate of 0.62% (in addition to the bank margin of 1.70%) to ensure security of interest costs. The facility also provides the ability to draw an additional \$650,000 for capital expenditure and leasing-related items.

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.

- Figures based on the Fund's 50% interest in the property.
- Based on the Product Disclosure Statement dated 4 June 2018.
- Includes an 18-month rental guarantee over the vacant area of approximately 889 sqm on level 4, which expired on 22 January 2020.
- As at 31 December 2022.
- The Fund's drawn debt is fully hedged at a rate of 0.62% p.a. until 23 July 2023.
- The LVR is based on the Fund's 50% interest and the most recent independent valuation as defined under the debt facility agreement.
- The stated ICR figures are based on the most recent audited accounts as at 31 December 2022.

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