

# Centuria

Fund Update

March 2023

## Centuria Geelong Office Fund

(ARSN 623 696 800)

### Key Points

- FY23 monthly distributions have remained stable at 7.50 cpu (annualised).
- Investor Meeting - Centuria Management recommendation to extend Fund Term.
- 31 December 2022 Net Asset Backing confirmed at \$1.05 per unit.
- The property is 98% occupied with a weighted average lease expiry (WALE) of approximately 5.8 years.

### Fund Summary

Distributions for the **Centuria Geelong Office Fund** (Fund) have been paid in line with the FY23 forecast of 7.50 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**.

The Manager has recently called a meeting to provide Investors with the opportunity to vote on a resolution to extend the Initial Term of the Fund by two years to 4 April 2025. The fund term extension will allow the Manager to progress ongoing leasing negotiations with the Property's major tenant, the Transport Accident Commission, and the market to stabilise. The Manager recommends that Investors vote in favour of the Resolution to approve the extension of the Initial Term of the Fund by two years.

The 31 December 2022 audited financial report is now available to download from our online investor portal at **CenturiaInvestor.com**. The report confirms the Fund's Net Asset Backing (NAB) per unit reduced from \$1.12 (as at 30 June 2022) to \$1.05 (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.



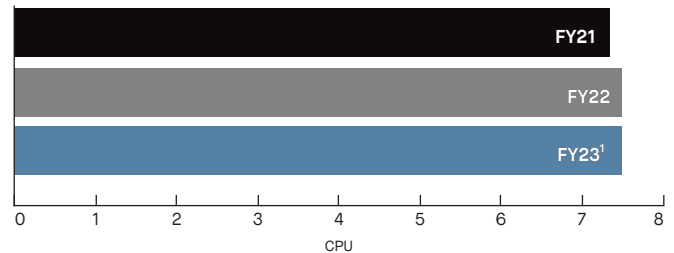
### Financial Snapshot

<b>Fund Commencement Date</b>	4 April 2018
<b>Unit Price</b>	\$1.05 <sup>1</sup>
<b>Net Asset Backing</b>	\$1.05 <sup>2</sup>
<b>Distribution Rate (cents per unit)</b>	7.50 <sup>3</sup>
<b>Weighted Average Lease Expiry (WALE) (years)</b>	5.80 <sup>1</sup>
<b>Next investor vote on term of Fund</b>	Prior to 4 April 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. FY23 forecast.

The distribution rate for the remainder of the 2023 financial year is forecast to remain at 7.50 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. 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 be \$1.04.

3. December 2022 quarter annualised.

## Property Details

ASSET VALUES	
Property Address	60 Brougham Street, Geelong, VIC
Purchase Price (Apr 18)	\$115.25m
Previous Valuation (Jun 22)	\$137.0m
Current Valuation (Dec 22)	\$131.0m
Cap Rate (Dec 22)	6.00%
Valuer	Cushman & Wakefield

The key metrics of the 31 December 2022 valuation are outlined in the table above, and the result of the 30 June 2023 valuation will be included within the September 2023 Fund Update.

## Top Tenants by Net Lettable Area (NLA)

<b>Transport Accident Commission</b> Lease expires 4 Jan 2029	92.1%
<b>Victorian Chamber of Commerce &amp; Industry</b> Lease expires 18 Apr 2027	1.4%
<b>Parliament of Victoria</b> Lease expires 31 Jan 2029	0.9%
<b>WestVic</b> Lease expires 28 Feb 2028	0.4%

Renovation works have been completed on the upper ground floor following the vacation of Impact Investment Group. The renovation works have split the tenancy, accommodating a new lease to the Victorian Chamber of Commerce over part of the area. The Fernwood Investments (3.0% by NLA) tenancy has recently become available following the end of the current lease expiry in February 2023. Management is preparing this space for refurbishment to maximise future leasing opportunities.

## Property Statistics

	INITIAL <sup>1</sup>	JUN-22	DEC-22
Net Asset Backing	\$0.89	\$1.12	\$1.05
Property Occupancy Rate	100%	98%	98%
Weighted Average Lease Expiry (WALE) (years)	10.30	6.26	5.80

## Debt Summary

	CURRENT PERIOD	LOAN COVENANTS
Total Facility Limit	\$57.5m <sup>2</sup>	
Undrawn Amount	\$3.9m <sup>2</sup>	
Loan Expiry	29 March 2023	
% of Debt Hedged	93.3% <sup>3</sup>	
Loan to Value Ratio (LVR)	39.1% <sup>4</sup>	57.5%
Interest Cover Ratio (ICR)	6.81 <sup>5</sup>	2.00

The Fund's debt facility is currently due to expire in March 2023. The Fund is expected to remain fully compliant with the facility covenants and as shown above, has significant headroom to the LVR and the ICR covenants. At the time of writing this update, the Manager is currently in the process of extending the Fund's finance facility. Discussions to date have been positive and, given the strong covenant headroom, the Manager does not foresee any difficulty in securing either a facility extension with the incumbent financier, or a new facility with an alternative financier.

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 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.

- Based on the Product Disclosure Statement dated 5 February 2018.
- As at 30 June 2022.
- As at 30 June 2022, Fund's drawn debt is hedged until 15 March 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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