

Centuria

Fund Update
March 2023

Centuria Government Income Property Fund

(ARSN 650 901 812)

Key points

- As at 31 December 2022, the Net Asset Backing of the Fund is \$0.93 per unit
- Forecast distributions for FY23 confirmed at 5.35 cents per unit (annualised)
- Melbourne's Fringe market leads leasing demand nationally for a second consecutive year

Fund summary

Distributions for the **Centuria Government Income Property Fund** (Fund) continue to be paid at 5.35 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](https://www.centuriainvestor.com.au).

Market Overview

- Demand within the Melbourne Fringe office market continues to be strong with 82,299 sqm of net absorption being recorded during 2022.
- This is the second consecutive year the Melbourne Fringe has experienced the highest net absorption by market, which leads the nation.
- As a result, headline vacancy reduced 0.4% to 14.4% during 4Q22 and demand is likely to remain healthy due to in part, the disconnection between global economic factors and the localised businesses/tenants that typically occupy space within the various precincts.
- However, the supply pipeline also remains active, with 17 new projects currently under construction that are expected to deliver 208,100 sqm into the Melbourne Fringe market by 2024.
- Due to the increased cost of capital, prime yields softened 12.5 basis points on the lower end during the last three months of the year, to now sit at a range of 4.88% to 5.50%.

Source: JLL Research

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](https://www.centuriainvestor.com.au). The report confirms the Net Asset Backing (NAB) per unit in the Fund remained at \$0.93.



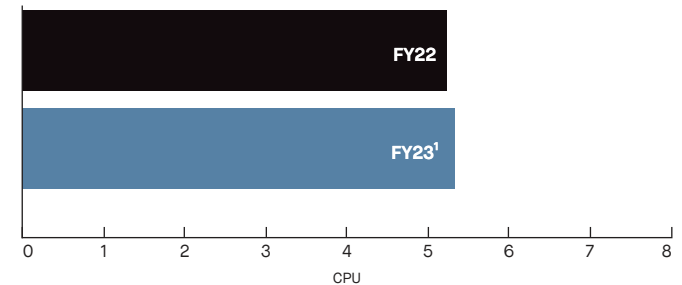
Financial snapshot

Fund commencement date	11 Aug 2021
Unit price	\$1.03 ¹
Net asset backing	\$0.93 ²
Distribution rate (cents per unit)	5.35 ³
Weighted average lease expiry (WALE) (years)	10.7 ¹
Next investor vote on term of Fund	11 Aug 2026

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 5.35 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.

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 be \$0.88.

3. December 2022 quarter, annualised.

Property details

ASSET VALUES	
Property address	1 McNab Avenue, Footscray VIC
Purchase price (Aug 21)	\$223.7m
Previous valuation – Independent (Jun 22)	\$225.0m
Current valuation (Dec 22)	\$225.0m
Cap rate (Dec 22)	4.75%
Valuer	Directors'

The property was subject to a Directors' 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)

State Trustees Lease expires 12 Jun 2034	32%
City West Water Lease expires 22 May 2034	31%
Department of Treasury and Finance Lease expires 31 May 2034	27%
McConnell Dowell Lease expires 31 Aug 2027	8%
Carina Ford Lawyers Lease expires 31 May 2027	2%

As at 31 December 2022, the property is 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 10.7 years.

We are extremely pleased to report that the five-year lease extension with McConnell Dowell over 1,622 sqm on Part Level 5 has been executed.

Property statistics

	INITIAL ¹	JUN-22	DEC-22
Net asset backing	\$0.87	\$0.93	\$0.93
Property occupancy rate	100%	100%	100%
Weighted average lease expiry (WALE) (years)	11.8	11.0	10.7

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$113.5m	
Undrawn amount	\$3.6m ²	
Loan expiry	11-Aug-26	
% of debt hedged	75.1% ³	
Loan to value ratio (LVR)	48.8% ⁴	60.0%
Interest cover ratio (ICR)	5.43 ⁵	2.0

Under the Fund's five-year facility, the drawn debt is currently \$109.85 million, which is 75.1% hedged at a fixed rate of 0.57% (in addition to the bank margin of 1.20%) until 30 June 2024, with the ability to draw an additional \$3.60 million for future leasing related costs and base building capital expenditure. Furthermore, a two year swap for 50% of the forecast drawn debt in years four and five (\$55.0m) has also been secured.

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 Valuation 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.

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 1 July 2021.
- As at 31 December 2022.
- The Fund's drawn debt is 75.1% hedged at a rate of 0.57% p.a. until 30 June 2024.
- The LVR is 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 as at 31 December 2022.

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