

# Centuria

Fund Update

March 2023

## Centuria Sandgate Road Fund

(ARSN 618 152 702)

### Key points

- As at 31 December 2022, the Net Asset Backing of the Fund is \$0.90 per unit
- Forecast distributions for FY23 confirmed at 7.25 cents per unit (annualised)
- Leasing demand remains strong in Brisbane with a focus on flight to quality and sustainability

### Fund summary

Distributions for the **Centuria Sandgate Road Fund** (Fund) continue to be paid at 7.25 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](https://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 early June.

#### Market Overview

- Positive net absorption of 18,915 sqm was recorded in the Brisbane Near City market during the December 2022 quarter and headline vacancy reduced by 1.0% to 17.2% during the period, which is a strong result.
- Professional services, finance and insurance, as well as rental hiring and real estate services were the top industries.
- As a result, prime gross effective rents have increased a healthy 3.5% during the 2022 calendar year and incentives remain stable at 44%.
- The flight to quality theme has seen occupiers relocate to the Brisbane CBD, however fringe locations are likely to remain popular due to their live-work-play character.
- Prime midpoint yield has again remained unchanged over the December 2022 quarter at 6.38% with a range of 5.50% to 7.25%.

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://CenturiaInvestor.com.au). The report confirms the Net Asset Backing (NAB) per unit in the Fund decreased from \$0.92 (as at 30 June 2022) to \$0.90 (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 6.50%.

1. Based on the most recent audited accounts as at 31 December 2022.
2. December 2022 quarter, annualised.
3. As at 31 December 2022.

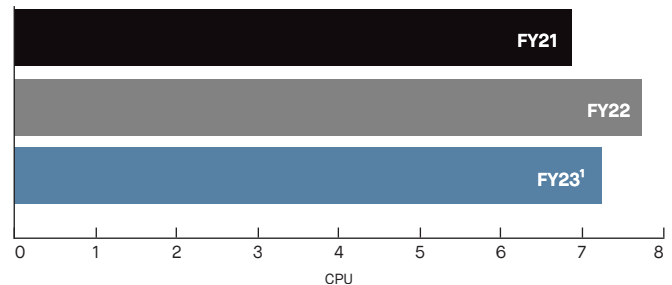


### Financial snapshot

<b>Fund commencement date</b>	7 July 2017
<b>Net asset backing</b>	\$0.90 <sup>1</sup>
<b>Distribution rate (cents per unit)</b>	7.25 <sup>2</sup>
<b>Weighted average lease expiry (WALE) (years)</b>	4.8 <sup>3</sup>
<b>Next investor vote on term of Fund</b>	7 July 2023

### Distribution details

#### ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate of 7.25 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	1231-1241 Sandgate Road, Nundah QLD
Purchase price (Jul 17)	\$106.3m
Previous valuation – Directors' (Jun 22)	\$110.0m
Current valuation (Dec 22)	\$108.0m
Cap rate (Dec 22)	6.50%
Valuer	Cushman and Wakefield

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>Energex</b> Lease expires 14 Nov 2027	67%
<b>Go Health Clubs</b> Lease expires 6 Dec 2027	16%
<b>State of Queensland</b> Lease expires 31 Dec 2027	11%
<b>Sushi Edo</b> Lease expires 2 Apr 2026	1%
<b>Studio Pilates</b> Lease expires 29 Jul 2028	1%

As at 31 December 2022, the property is 98.4% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 4.8 years.

## Property statistics

	INITIAL <sup>1</sup>	JUN-22	DEC-22
Net asset backing	\$0.90	\$0.92	\$0.90
Property occupancy rate	100%	99%	98%
Weighted average lease expiry (WALE) (years)	9.4	5.2	4.8

## Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$48.3m	
Undrawn amount	\$0.50m <sup>2</sup>	
Loan expiry	30-Jun-23	
% of debt hedged	Nil	
Loan to value ratio (LVR)	44.3% <sup>3</sup>	57.5%
Interest cover ratio (ICR)	5.03 <sup>4</sup>	2.0

The Fund's drawn debt remains at \$47.8 million, which is currently fully floating (in addition to the bank margin of 1.80% p.a.) given the impending fund term expiry in July 2023, with the ability to draw an additional \$500,000.

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. Based on the Product Disclosure Statement dated 7 April 2017.
2. As at 31 December 2022.
3. The LVR is based on the most recent independent valuation as defined under the debt facility agreement.
4. The stated ICR figures are based on the most recent audited accounts as at 31 December 2022.

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