

# Centuria

Quarterly fund update  
June 2023

## Centuria Healthcare Property Fund

(ARSN 638 821 360 APIR CTR0438AU)

### Key points

- Total return of 5.60% p.a. since inception to 30 June 2023<sup>2</sup>.
- Income underpinned by 95.6%<sup>3</sup> occupancy, WALE of 10.4 years<sup>3</sup> and 66% of the rental increases linked to CPI.
- A 20-year lease has been secured with Ramsay for level 4 at Bloomfield Medical Centre in Orange.
- All properties were independently valued for 30 June 23 valuations, reflecting a reduction in unit price to \$1.0115 from \$1.0874<sup>4</sup> primarily driven by level 3 vacancy at Bloomfield Medical Centre, Orange and softening in cap rate.
- Target distribution rate for the September 2023 quarter is 4.30 CPU (annualised)<sup>5</sup>.

### Fund summary

The fund's strategy is to own a portfolio of high-quality healthcare assets across the healthcare spectrum leveraging on affordable care to deliver resilient returns to investors. The fund currently owns a portfolio of 23 properties across medical centres, day and short stay hospitals, life science, specialist centres and dementia care homes. Since inception of the Fund, the Manager has actively improved the portfolio quality by increasing the WALE and tenant diversification. The average age of the portfolio is 7 years which has resulted in a 100% tax deferred income for FY23.

	INCEPTION <sup>2</sup>	2023 PORTFOLIO
WALE	6.7 years	10.4 years
Tenant Diversification	48 tenants	86 tenants
Largest single tenant exposure	32%	14%

### Distributions update

June 23 distributions for the Centuria Healthcare Property Fund (Fund) remained at 5.00 CPU (annualised), which is in line with the target distribution rate of 5.00 CPU (annualised) for FY23. 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.au](https://www.centuriainvestor.com.au).



HAVELOCK HOUSE, PERTH WA<sup>1</sup>

In light of the current interest rate environment, the target distribution rate for September 2023 quarter is calculated to be 4.30 cents per unit (annualised)<sup>5</sup>. This reduction is mainly due to the increase in interest cost offset by rental income increase of 6.9% (on a like for like basis, excluding Orange Private Hospital). The Manager has been actively working on leasing to improve the quality of the portfolio. The noteworthy leasing that was completed was between the fund and Ramsay Healthcare for the level 4 tenancy of the Bloomfield Medical Centre, Orange. Ramsay's lease commenced on 11 July 2023 for a 20-year lease term, operating a private day hospital. The distribution assumes vacancy for level 3 at Bloomfield Medical Centre as well as few other expiries. The distribution will be continually evaluated for any potential upside or downside in income. The Fund currently owns 23 properties focused on high-quality healthcare assets across the healthcare spectrum leveraging on affordable care to deliver resilient returns to investors.

The distribution rate takes into consideration prevailing interest costs and is being closely monitored. Should interest rates normalise at higher (or lower) than forecast levels, distributions may be impacted. This target distribution rate also 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.

### Leasing update

The Manager continues to actively manage the portfolio despite a challenging financial backdrop and has secured 3,395 sqm of leasing across 4 properties during the 2023 financial year.

Key leasing highlights over the quarter include:

- A new 20-year lease with Ramsay Healthcare at Bloomfield Medical Centre for 2,267 sqm and the Fund currently has a tenant occupying ~250sqm on level 3; and
- A new 1.5-year lease with Alcohol and Other Drug Services (Queensland Health) at 2 Lake Street, Varsity Lakes for 597 sqm.

We are currently in discussion with a number of tenants for the vacancy in Sunbury and Vermont South.

1. Havelock House and Weststate Private Hospital photos represent the architect's rendered vision of the properties currently under construction.
2. Inception date is 21 September 2020. Past performance is not a reliable indicator of future performance.
3. Includes rental guarantees. As at 30 June 2023, based on current as-if complete value.
4. As at 31 May 2023.
5. The target distribution rate is not a forecast, is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of Centuria Property Funds No. 2 Limited, as responsible entity of the Fund. These assumptions include that the pipeline properties will be acquired by the Fund at current valuations and that funding will be secured at a particular interest rate. Actual returns may differ from the target return. Centuria Property Funds No. 2 Limited does not guarantee the performance of the Fund, the repayment of capital or any income or capital return. Past performance is not a reliable indicator of future performance. In addition, given the current volatility in interest rate forecasts, this assumption may need to be reviewed. Should interest rates differ from forecast levels, distributions may be revised.

## Redemptions

Over the past quarter, the Fund has received withdrawal requests which have exceeded the Fund's available liquidity for the quarter. As a result of the requests received the amount available for redemptions this quarter has been exceeded and the quarterly withdrawal facility has been scaled back by 89.9% for the June 2023 quarter.

As disclosed in the Fund's Product Disclosure Statement, when withdrawal requests exceed the redemption cap, the Manager will scale back requests on a pro rata basis.

Any withdrawal requests submitted during a quarter which are not satisfied, either in whole or in part, automatically roll over to the following quarter, unless the Investor requests otherwise or the Manager suspends withdrawals. Any withdrawal requests rolled over to the next quarter do not have priority, but form part of the pool of new withdrawal requests for that next quarter.

## Capital raise and pipeline opportunities

The Centuria Healthcare Property Fund is currently open to applications to fund high quality contracted opportunities and committed fund through developments.

The Fund has contracted to acquire a quality pipeline of properties valued at \$105.24 million. The acquisitions will diversify the underlying asset mix and improve the portfolio's overall quality. Details of the contracted properties are detailed below.

### The Bond, NSW

- The Bond is located in Bella Vista NSW, and will be acquired for approximately \$70.46m at a yield of 4.60%.
- The property will have a WALE of 7.9 years at settlement with 100% occupancy. Any available space will be secured by a 2-year rental guarantee.
- The property reached practical completion in March 23 and the settlement is expected in August 23.
- The property is located directly adjacent to the Norwest Private Hospital.
- The secured tenants will provide oncology, fertility, childcare and psychology services.

### Springwood, QLD

- The property will be acquired upon practical completion at a passing yield of 5.30% for an estimated purchase price of \$34.67 million (Gross purchase price including incentive of \$2.74m).
- The property is in the suburb of Springwood, approximately 20km south of Brisbane CBD, providing healthcare and commercial uses.
- The property reached practical completion in June 23 and settlement is expected in August 23

## Developments and fund-throughs

### 299 Scottsdale Dive, Robina QLD

- We are pleased to confirm that the fund-through project reached practical completion in May 2023.
- The property is 100% leased with a WALE of 10.8 years.
- The tenancy mix include a medical centre, childcare, dentist and other ancillary tenants.

### Weststate Private Hospital, West End QLD

- The property is a short stay hospital with a WALE of 25 years with 100% occupancy.
- This is a fund-through project developed by Geon Property and a coupon income is accrued during construction for the construction payments paid by the Fund.
- The tenant (Weststate Private Hospital) has disputed certain works and as a result we are undertaking a detailed review of the design of the hospital with the tenant and the developer. This is expected to delay the project to March 2024. The coupon income owing to the Fund from the developer will be accrued during the construction period.
- As a result of the delays and potential disputed works, there may be additional costs incurred by the Fund but part of these are expected to be offset by additional direct leasing discussions that we are undertaking with radiology, pharmacy and pathology. To the extent these additional costs are not able to be offset, then this may have an impact on distributions to the Fund.

### 18 Lisa Crescent, Castle Hill NSW and 35 Chiltern Crescent, Castle Hill NSW

- We are pleased to confirm that both developments at 18 Lisa Crescent, Castle Hill, and 35 Chiltern Crescent, Castle Hill are now completed.
- The two properties are 100% leased to Group Homes Australia with a WALE of 13 years.
- Group Homes Australia is specialised operator providing accommodation for residents with dementia.

## Financial snapshot

<b>Fund commencement date</b>	8 October 2019
<b>Unit price</b>	1.0115
<b>Target distribution rate (cents per unit) for September quarter 2023</b>	4.3
<b>Weighted Average Lease Expiry (WALE) by income (years)</b>	10.4
<b>Next investor vote on term of fund</b>	August 2025

## Fund performance breakdown

The Fund closed the quarter with a unit price of \$1.0115 per unit, and this has resulted in a total return since inception of 5.60% p.a. and 1 year return of -3.86%. The 1 year return is primarily impacted due to the June 2023 revaluations (detailed in the Property Details section).

The table below summarises the Fund's performance since inception<sup>1</sup>.

AS AT 30 JUNE 2023	6 MTH (%)	1 YR (%)	SINCE INCEPTION (% P.A.) <sup>1,2</sup>
Capital growth	-8.19	-8.39	0.34
Distribution	2.27	4.53	5.26
Total return <sup>3</sup>	<b>-5.92</b>	<b>-3.86</b>	<b>5.60</b>

1. Inception date is 21 September 2020.

2. Returns are annualised.

3. Performance is shown for informational purposes only. Past performance is not a reliable indicator of future performance. Performance fees may affect total return performance.

## Property details

PROPERTY	PROPERTY VALUE (\$M) (100%) <sup>1</sup>	CAP RATE	DIRECT OWNERSHIP (%)	OWNERSHIP VALUE (\$M)	WALE (BY INCOME YEARS) <sup>2,3</sup>	OCCUPANCY <sup>3</sup>
Vermont South Medical Centre, VIC	68.4	5.0%	85%	58.1	9.1	89%
Forrest Family Practice, WA	7.7	5.8%	100%	7.7	8.1	100%
Bloomfield Medical Centre, NSW <sup>4</sup>	56.0	5.5%	85%	47.6	10.0	76%
Hobart Day Surgery, TAS	5.8	6.5%	85%	4.9	1.1	100%
Sundew Day Surgery, Joondalup WA	16.0	5.3%	85%	13.6	6.6	100%
Cairns Day Surgery, QLD	25.6	5.5%	100%	25.6	6.7	100%
Coffs Harbour Medical Centre, NSW	25.6	5.5%	100%	25.6	2.4	100%
18 Lisa Crescent, Castle Hill NSW	4.2	5.3%	100%	4.2	13.0	100%
35 Chiltern Crescent, Castle Hill NSW	4.2	5.3%	100%	4.2	13.0	100%
Perth Clinic, West Perth WA	50.0	4.8%	100%	50.0	12.6	100%
411 Nepean Highway, Frankston VIC	12.0	5.0%	100%	12.0	5.9	100%
275 Addison Road, Petersham NSW	8.9	4.8%	100%	8.9	11.2	100%
Weststate Private Hospital, West End QLD <sup>5</sup>	37.8	5.8%	100%	37.8	25.0	100%
38-44 Gap Road, Sunbury VIC	27.0	5.0%	100%	27.0	6.4	93%
3 Garrick Road, St Ives NSW	4.1	5.3%	100%	4.1	18.4	100%
49 Benaroon Crescent, St Ives NSW	3.3	5.3%	100%	3.3	18.4	100%
77-97 Ricketts, Mt Waverley VIC <sup>6</sup>	42.0	4.5%	100%	42.0	13.2	100%
2 Lake Street, Varsity Lakes QLD	72.0	4.9%	100%	72.0	5.5	98%
West Medical Hub, West Lakes SA	14.4	5.5%	100%	14.4	5.4	89%
299 Scottsdale Drive, Robina QLD <sup>7</sup>	27.8	4.8%	100%	27.8	11.4	100%
168 Corfield Street, Gosnells WA	10.1	5.8%	100%	10.1	5.5	100%
60B Kingsvale Road, Myocum NSW	8.9	5.3%	100%	8.9	19.1	100%
50 Montsalvat Drive, Greenfields WA	9.2	5.5%	100%	9.2	8.8	100%
<b>Indirect Properties – Investment in NPUT<sup>8</sup></b>				<b>10.0</b>		
<b>Current portfolio – as is valuation</b>	<b>543.9</b>	<b>5.1%</b>		<b>528.9</b>	<b>9.7</b>	<b>95%</b>
<b>Current portfolio – as if complete valuation</b>				<b>556.9</b>	<b>10.4</b>	<b>96%</b>
Springwood Health Hub	34.7	4.9%	100%	34.7	8.8	100% <sup>3</sup>
The Bond, 8 Elizabeth MacArthur Dr, Bella Vista NSW	70.6	4.5%	100%	70.5	7.9	100% <sup>3</sup>
<b>Current and contracted portfolio – as if complete valuation<sup>9</sup></b>	<b>676.6</b>	<b>5.1%</b> <sup>9</sup>		<b>662.1</b>	<b>10.0</b>	<b>96%</b>

1. South Medical Centre, Bloomfield Medical Centre, Hobart Day Surgery and Sundew Day Surgery. Seven independent valuations as at 30 June 2023.

2. As at 30 June 2023.

3. Includes rental guarantees.

4. Assumes 20 year lease with Ramsay Healthcare executed over Level 4.

5. This property is currently under construction. Property value reflects "As Is" valuation. The "As If" complete value is \$60.5 million for Weststate Private Hospital, West End, QLD.

6. Property value reflects "As Is" valuation due to Paragon Care tenant fit out. The "As If" complete value is \$47.25 million.

7. This property is currently under construction. Property value reflects "as is" valuation. The "as if" complete value is \$4.4 million for 18 Lisa Crescent Castle Hill NSW, \$4.4 million for 35 Chiltern Crescent, Castle Hill NSW, \$60.5 million for Weststate Private Hospital, West End, QLD and \$27.45 million for 299 Scottsdale Drive, Robina QLD.

8. The Fund also has an indirect interest in the Nexus anchored properties via Nexus Property Unit Trust (NPUT). NPUT currently owns a 15% interest in Vermont South Medical Centre, Bloomfield Medical Centre, Hobart Day Surgery and Sundew Day Surgery.

9. Core cap rate for the "As If Complete valuation".

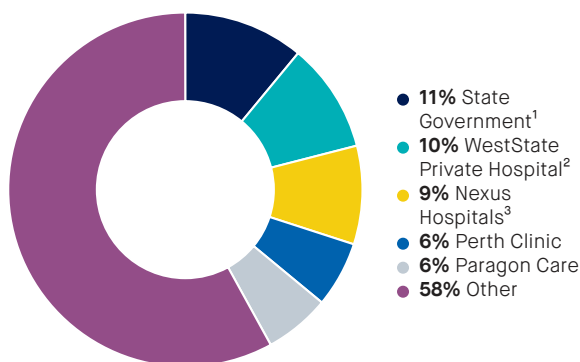
The current portfolio of assets was independently valued as at 30 June 2023, resulting in a reduction of 4.9% to \$518.8 million across the properties directly owned by the fund and an overall reduction of 5.1% to \$528.9 million (including the indirect interest owned via Nexus Property Unit Trust). The reduction in valuation is primarily driven by the revaluation of the below properties:

- Bloomfield Medical Centre, Orange (3 CPU impact to unit price) – Reduction in valuation due to the vacancy on level 3 and softening in cap rate.
- Weststate Private Hospital, West end (1 CPU impact) – Property currently under construction and given construction is ongoing, the valuer has assumed a development margin that has impacted the current valuation. There is valuation support for the as-if complete value of \$60.5 million. There is expected to be cost overrun which we will seek valuation support once its confirmed.
- 2 Lake St, Varsity Lakes (1 CPU impact) – Reduction in valuation due to the softening in cap rate. Currently in discussion with Queensland Health to expand/extend the lease in lieu of building a rooftop carpark.
- West Perth (1 CPU impact) – Reduction in valuation due to softening in cap rate. The rent reviews are CPI and this may improve the valuation in the future if there is no softening in cap rate.





## Top tenants by gross passing income



1. Includes Mid North Coast Local Health District at Coffs Harbour Medical Centre, NSW, Peninsula Health at Frankston, VIC, and Queensland Health at Varsity Lakes, QLD

2. Includes rental guarantees

3. QIC's Global Infrastructure Fund and co-investors acquired a c.75% equity interest in Nexus Hospitals in September 2019

The Fund is 95.6%<sup>1</sup> occupied with a Weighted Average Lease Expiry (WALE) by income of 10.4 years as at 30 June 2023.

## Portfolio statistics

	DEC 21	MAR 22	JUN 22	DEC 22	JUN 23
<b>Portfolio occupancy</b>	99.2%	98.3%	99.4%	97.7%	95.6% <sup>2</sup>
<b>Weighted average lease expiry (WALE) by income (years)</b>	8.9	10.7	10.3	10.1	10.4 <sup>2</sup>
<b>Portfolio valuation (at ownership)</b>	415.4	507.5	564.6	585.8	558.2 <sup>3</sup>

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1. Based on the current portfolio as at 30 June 2023 on an "as-if complete" basis and excludes properties currently contracted or in due diligence.

2. Includes rental guarantees. As at 30 June 2023, based on current as-if complete value.

3. Based on the portfolio as at 30 June 2023 on an "as-if complete" basis and excludes properties currently contracted or in due diligence.

4. As at 30 June 2023.

5. The LVR is based on a drawn debt amount of \$236.2m over the valuations for the current properties as at 30 June 2023

## Debt summary

The table below summarises terms for the existing facility agreements with NAB, BOQ, ANZ and BOC. Given the current volatility in interest rate forecasts if interest rates differ from forecast levels, this may have an impact on the 2024 financial year distribution rate.

	CURRENT PERIOD	LOAN COVENANTS
<b>Total facility limit</b>	330.0	
<b>Undrawn amount</b>	93.8 <sup>4</sup>	
<b>Weighted average loan expiry</b>	2.3 years	
<b>% of debt hedged</b>	51.7% <sup>4</sup>	
<b>Look through gearing</b>	42.5%	
<b>Loan to value ratio (LVR)</b>	45.5% <sup>5</sup>	55.0%
<b>Interest cover ratio (ICR)</b>	3.1x <sup>4</sup>	2.00x

## RG46 statements

The latest RG46 Statement for the Fund is available at: [centuriainvestor.com.au](http://centuriainvestor.com.au).

It includes the following key information:

- Gearing ratio, calculated using ASIC methodology
- Gearing covenant sensitivities
- Detail of related party transactions in the period
- Further information on the source of distributions.

## Centuria investor website

You can access all information relating to your Centuria investments at [centuriainvestor.com.au](http://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).