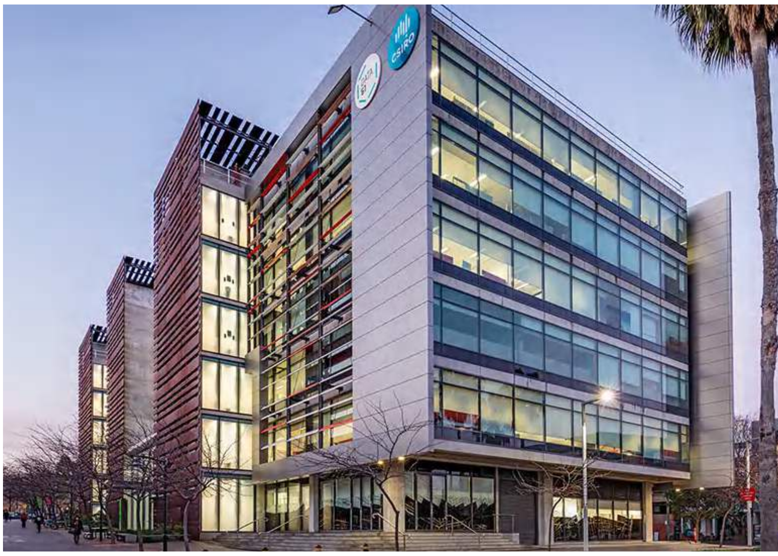
Centuria



Fund Update September 2023

Centuria ATP Fund

(ARSN 610 104 320)

Key points

- As at 30 June 2023, the Net Asset Backing of the Fund is $2.12 per unit
- Forecast distributions for FY24 confirmed at 9.25 cents per unit (annualised)
- Following the sale of The Belltower, the fund term was extended by two years until 22 April 2025

Fund summary

Distributions for the **Centuria ATP Fund** (Fund) continue to be paid at 9.25 cents per unit (annualised), which is in line with the forecast for the 2024 financial year. The corresponding distribution statement for the Fund can be accessed from our online investor portal at **CenturiaInvestor.com.au.**

Market Overview

- Activity within the Sydney Fringe office market was relatively subdued during the June 2023 quarter.
- Even though negative net absorption of 12,413 sqm was recorded, which increased headline vacancy marginally by 0.1% to 7.7%, the Sydney Fringe still has the second lowest vacancy rate out of the 19 markets tracked by JLL, after Canberra (7.1%).
- Prime gross effective rents decreased marginally by 0.5%, however annual growth of 4.9% was achieved over the past 12 months. Incentive levels also remained stable at 29.5%.
- There were no building completions but four projects are currently under construction that will add 34,824 sqm by mid-2024.
- No transactions above $5.0 million occurred during the three months and due to the elevated cost of debt, combined with the uncertain economic climate, prime yields softened further to 5.76%.

Source: JLL Research

30 June 2022 Net Asset Backing

The 30 June 2022 audited financial report is now available to download from the online investor portal at **CenturiaInvestor.com.au.** The report confirms the Net Asset Backing (NAB) of units in the Fund decreased from $2.17 (as at 31 December 2022) to $2.12 (as at 30 June 2023), which was largely driven by a reduction in the valuation of the portfolio, primarily due to further softening in the capitalisation rate adopted for 1 Central Avenue by 12.5 basis points to 5.375%. Unfortunately, elevated debt costs, attractive bond yields, term deposit rates and a challenging office sector are all currently having an impact on capital values.

Australian Cash Rate Update

The Reserve Bank of Australia (RBA) recently opted to keep the cash rate on hold for a fourth consecutive month, suggesting recent counter-inflationary measures are beginning to take effect. Prior to this announcement, the four major Australian banks had revised their terminal cash rate expectations down to between 2.85% and 3.35% with the potential for cuts in late 2024.

However, it is important to note that economists have highlighted the risk of up to two rate hikes (+0.50%), should inflationary data surprise to the upside. Despite these tough market conditions, we still maintain confidence in the resilience of high quality commercial real estate.

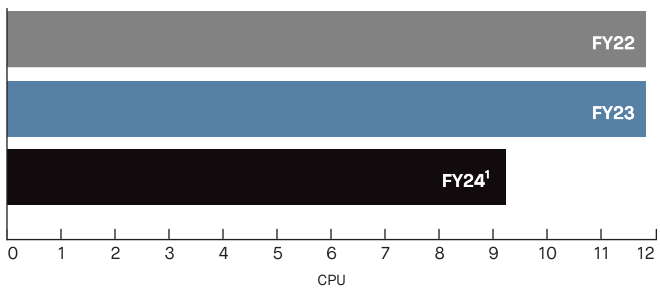
During this period of stabilisation, and dependant on prevailing interest costs, bond yields, term deposit rates and transactional evidence in the market, there may be continued pressure on distributions and valuations moving forward. As a result, we will continue to monitor the market and take additional protectionary measures where required.

Financial snapshot

Fund commencement date	22 April 2016
Net asset backing	$2.12[1]
Distribution rate (cents per unit)	9.25[2]
Weighted average lease expiry (WALE) (years)	5.2[3]
Next investor vote on term of Fund	22 April 2025

Distribution details

ANNUALISED DISTRIBUTION



1. Forecast (annualised).

1. Based on the most recent audited accounts as at 30 June 2023 and after the $0.47 capital return made in February 2022.
2. September 2023 quarter, annualised.
3. As at 30 June 2023.

The distribution rate of 9.25 cents per unit (annualised) is in line with the 2024 financial year forecast. However, please note, 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. If any change to the forecast distribution rate is required, an out of cycle update will be provided to investors with as much notice as possible.

Portfolio statistics

	INITIAL[1]	DEC-22	JUN-23
Net asset backing	$0.94	$2.17[2]	$2.12[2]
Portfolio occupancy rate	100%	94%	100%
Weighted average lease expiry (WALE) (years)	4.8	5.3	5.2

Top five tenants by net lettable area (NLA)

University of Sydney Lease expires 30 Jun 2031	35%
Data61/CSIRO Lease expires 30 Jun 2026	31%
Commonwealth of Australia (Dept. of Defence) Lease expires 31 Mar 2028	26%
Top Education Group Lease expires 31 Oct 2024	3%
Property NSW (Transport for NSW) Lease expires 31 May 2024	2%

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	$119.5	
Undrawn amount	$6.1[3]	
Loan expiry	22-Apr-25	
% of debt hedged	49.8%[4]	
Loan to value ratio (LVR)	47.4%[5]	60.0%
Interest cover ratio (ICR)	2.94[6]	2.0

Following the withdrawal offer, which was facilitated in July, the Fund's drawn debt has increased to $113.4 million and approximately 49.8% has been hedged at a fixed rate of 3.95% p.a. (in addition to the bank margin of 1.70% p.a.) until 15 June 2024. Please note, this rate was bought down at a cost of $291,600 in order to assist with the Fund's ICR. Furthermore, another swap at 4.54% p.a. over $56.5 million has also been secured from 16 June 2024 until the fund term expiry in March 2025.

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 30 June 2023, 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**.

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**.

Portfolio details

PROPERTY ADDRESS	PURCHASE PRICE (APR 16)	PREVIOUS VALUATION - INDEPENDENT (DEC 22)	CURRENT VALUATION (JUN 23)	CAP RATE (JUN 23)	VALUER
13 Garden St, South Eveleigh NSW		$133.0m	$132.5m	5.75%	JLL
1 Central Ave, South Eveleigh NSW		$110.0m	$106.5m	5.38%	JLL
TOTAL	**$104.0M**	**$243.0m**	**$239.0m**	**5.58%**	

The properties were subject to independent valuations for the purposes of the 30 June 2023 audited financial report and the key metrics of these valuations are outlined in the table above.

Note: The latest RG46 Statement for the Fund is available at **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 1 February 2016.
2. After deducting the $0.47 early return of capital made in February 2020.
3. As at 31 August 2023.
4. The Fund's drawn debt is 49.8% hedged until 15 June 2024.
5. The LVR is based on the most recent independent valuations as defined under the debt facility agreement.
6. The stated ICR figures are based on the most recent audited accounts as at 30 June 2023.