

Centuria

Fund Update
December 2022

Centuria Industrial Income Fund No. 2 ARSN 663 453 487

Key points

- The property is fully occupied with a Weighted Average Lease Expiry by income (WALE) of approximately 5.76 years.
- Distributions have increased to 7.00 cents per unit (annualised).
- Reduction in cost of debt 37 basis points lower than forecast.

Fund summary

Distributions for the **Centuria Industrial Income Fund No. 2** (Fund) have increased from a rate of 6.50 cents per unit (annualised) to a rate of 7.00 cents per unit (annualised) effective 1 March 2023.

The portfolio management team along with the Centuria Group treasury team has reviewed and revised the Fund's debt position. Management has successfully secured a three-year debt facility including a margin of 1.45% per annum and a swap of 3.30% per annum, which results in an "all-in" cost of debt of 4.75% per annum, which is 37 basis points lower than originally forecast in the PDS. This revised cost of debt has allowed the Fund to increase the distribution rate by 50 basis points above previous forecasts for the remainder of FY23 and 25 basis points for FY24.

The Blackwoods facility pleasingly performed to expectations by withstanding the intense January rainfall experienced in the Mackay region which led to flash flooding and road closures. No damage to the asset was recorded and the site itself was unaffected by flooding in the area. Property expansion discussions with the tenant have commenced and we look forward to providing investors with an update shortly.

Despite continued macroeconomic uncertainty and consecutive interest rate rises, the industrial asset class continues to perform strongly against long term benchmarks with record low vacancy rates and continued tenant demand equating to the strong rental increases observed post COVID-19. Whilst industrial property sales moderated in 2022, rental growth has assisted in stabilising property values against headwinds of capitalisation rate expansion.

Financial snapshot

Fund commencement date	8 December 2022
Unit price	0.99
Net asset backing	0.85
Distribution rate (cents per unit)	7.00 ¹
Weighted average lease expiry (WALE) (years)	5.76 ²
Fund term expiry	8 December 2027

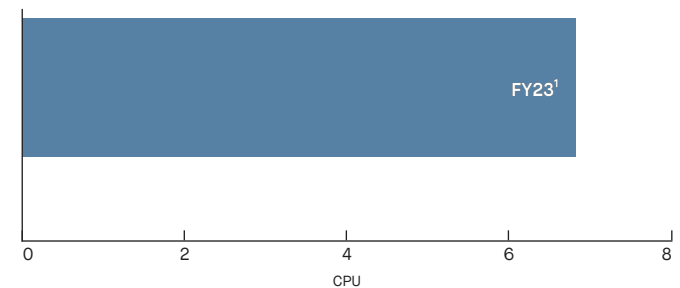
1. Effective 1 March 2023. March 2023 annualised.

2. WALE by income as at 31 March 2023.



Distribution details

ANNUALISED DISTRIBUTION



1. Blended total forecast distribution.

The distribution rate of 7.00 cents per unit (annualised) is above FY23 forecast of 6.50 cents per unit (annualised). The stepped increase through FY23 leads to a total blended forecast average distribution rate of 6.83 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.

Property details

ASSET VALUES	
Property address	69-79 Diesel Drive, Paget, QLD
Purchase price (Dec 22)	\$35.50m
Current valuation (Oct 22)	\$35.50m
Cap rate (Oct 22)	7.00%
Valuer	JLL

The key metrics of the latest valuation are outlined in the table above.

Top tenants by net lettable area (NLA)

J. Blackwood & Son Pty Ltd
Lease expires 5 Jan 2029

100.0%

The property is fully occupied with a WALE by income of approximately 5.76 years as at 31 March 2023.

Property statistics

	INITIAL ¹	DEC-23
Unit price	1.00	0.99
Net asset backing	0.85	0.85
Property occupancy rate	100%	100%
Weighted average lease expiry (WALE) (years) ²	6.10	5.76

Debt summary

	CURRENT PERIOD ³	LOAN COVENANTS
Total facility limit	\$17.10m	
Undrawn amount	\$0.24m	
Loan expiry	08 Dec. 2025	
% of debt hedged	100% ⁴	
Loan to value ratio (LVR)	48.2% ⁵	60.0%

The financial year to date has seen the Reserve Bank of Australia increase the official cash rate, from a record low setting of 0.10% in May 2022 to 3.60% as at 31 March 2023, with a direct impact to the cost of debt and financial performance of the Fund.

Management has successfully secured a three-year debt facility including a margin of 1.45% per annum and a swap of 3.30% per annum, which is 37 basis points lower than originally forecast in the PDS.

Centuria investor website

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

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.

1. Based on the Product Disclosure Statement dated 14 November 2022.

2. WALE by income as at 31 March 2023.

3. As at 31 March 2023.

4. Fund's drawn debt is hedged until 15 December 2025.

5. Based on the most recent valuation.

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