

Centuria

Fund Update
March 2024

Centuria 80 Flinders Street Fund

(ARSN 634 979 838)

Key points

- As at 31 December 2023, the Net Asset Backing of the Fund is \$0.87 per unit
- Forecast distributions for FY24 confirmed at 3.50 cents per unit (annualised)
- The leasing market for new generation assets remains strong

Fund summary

Distributions for the **Centuria 80 Flinders Street Fund** (Fund) continue to be paid at 3.50 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.

Please note, since the expiry of the initial Fund term is approaching in September 2024, it is anticipated that investors will receive a Notice of Meeting and Explanatory Memorandum to vote upon the future of the investment in August 2024.

Market overview

- Due to a significant amount of supply, the Adelaide CBD vacancy rate increased by 2.3% to 19.3% over the six months to January 2024.
- This is largely concentrated in secondary properties and the vacancy rate within prime assets built after 2005 is much lower at around 9.0%.
- Given elevated construction costs, the delivery of new developments moving forward is limited and will likely require substantial pre-commitments.
- As a result, healthy demand and rental growth is anticipated to continue within newer generation buildings.
- The yield decompression cycle was unfortunately a factor again in the December 2023 quarter with prime grade capitalisation rates softening a further 25 basis points to 7.25%.

Source: Property Council of Australia, CBRE Research and JLL Research

31 December 2023 Net Asset Backing

The 31 December 2023 audited financial report is now available to download from the online investor portal at CenturiaInvestor.com.au, which confirms the Net Asset Backing (NAB) of units in the Fund decreased from \$1.03 (as at 30 June 2023) to \$0.87 (as at 31 December 2023). This was driven by a further 25 basis point softening in the capitalisation rate to 6.25% and additional allowances being made for 28% of the property's net lettable area now being captured as an impending lease expiry within the next two years.

1. As at 31 December 2023.
2. Based on the most recent audited accounts as at 31 December 2023.
3. March 2024 quarter, annualised.
4. As at 1 February 2024.



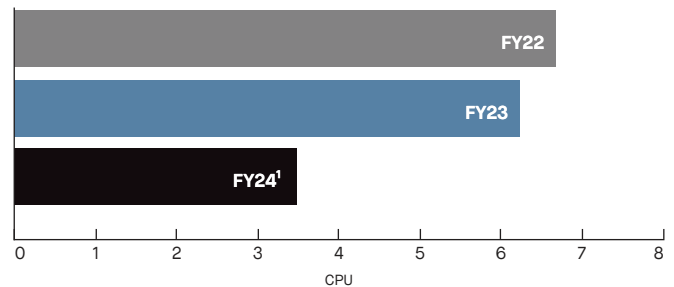
Financial snapshot

Fund commencement date	30 Sep 2019
Unit price	\$0.88 ¹
Net asset backing	\$0.87 ²
Distribution rate (cents per unit)	3.50 ³
Weighted average lease expiry (WALE) (years)	2.4 ⁴
Next investor vote on term of Fund	30 Sep 2024

As outlined in the PDS, units have been 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 3.50 cents per unit (annualised) is in line with the 2024 financial year forecast. 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.

In relation to the 2025 financial year, the forecast distribution rate will largely be dependent on the outcome of the lease renewal discussions with BAE Systems, which expires on 9 September 2025 and comprises approximately 16.7% of the property's gross income. Unfortunately, since the discussions are still ongoing, we are not in a position to give guidance at this stage and an update will be provided to investors in June 2024. However, it is likely the distribution rate will reduce or potentially be suspended to build up working capital for any potential future re-leasing costs.

Property details

ASSET VALUES	
Property address	80 Flinders Street, Adelaide SA
Purchase price (Sep 19)	\$123.4m ¹
Previous valuation - Directors' (Jun 23)	\$135.0m
Current valuation (Dec 23)	\$124.0m
Cap rate (Dec 23)	6.25%
Valuer	Cushman and Wakefield

The property was subject to an independent valuation for the purposes of the 31 December 2023 audited financial report and the key metrics of this valuation are outlined in the table above.

Top five tenants by gross income

Beach Energy Lease expires 31 May 2026	27%
Wilson Parking Lease expires 28 Feb 2030	26%
BAE Systems Lease expires 9 Sep 2025	17%
Insurance Australia Lease expires 18 Aug 2026	14%
Lucid Consulting Lease expires 23 Sep 2026	6%

As previously communicated, in June 2023 BAE Systems issued a brief to the market for between 2,500 sqm to 4,000 sqm. However, due to various recent announcements regarding the tenant's involvement in major projects associated with the AUKUS trilateral security pact, its size requirement has not been finalised. Management has continued dialogue with the tenant representative throughout this process and provided various alternatives to accommodate up to 4,350 sqm of office space to facilitate the anticipated business growth. Once again, we will advise investors as soon as there are any material updates and to mitigate the impending lease expiry risk, the tenancy is also being actively marketed for lease.

Property statistics

	INITIAL ²	JUN-23	DEC-23
Net asset backing	\$0.95	\$1.03	\$0.87
Property occupancy rate	100%	100%	97%
Weighted average lease expiry (WALE) (years)	4.0	3.8	2.6

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$62.0m	
Undrawn amount	\$3.15m ³	
Loan expiry	30-Sep-24	
% of debt hedged	Nil	
Loan to value ratio (LVR)	47.5% ⁴	57.5%
Interest cover ratio (ICR)	2.15 ⁵	2.0

The Fund's drawn debt remains at \$58.85 million, which is currently fully floating (in addition to the bank margin of 1.50% p.a.) with the ability to draw an additional \$3.15 million to provide further liquidity and fund future leasing related costs, as well as base building capital expenditure.

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 2023, 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

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 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.

- Acquisition price including outstanding incentives was \$127.0m.
- Based on the Product Disclosure Statement dated 14 August 2019.
- As at 31 December 2023.
- 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 2023.

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