

Centuria

Fund Update

March 2024

Centuria 80 Grenfell Street Fund

(ARSN 626 187 022)

Key points

- As at 31 December 2023, the Net Asset Backing of the Fund is \$0.90 per unit
- Forecast distributions for FY24 confirmed at 6.25 cents per unit (annualised)
- The leasing market for new generation assets remains strong

Fund summary

Distributions for the **Centuria 80 Grenfell Street Fund** (Fund) continue to be paid at 6.25 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

- 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 to get underway.
- 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 \$0.94 (as at 30 June 2023) to \$0.90 (as at 31 December 2023). This was driven by a further 25 basis point softening in the capitalisation rate to 6.00%, primarily due to prevailing market conditions and the impending lease expiry of the property's major tenant, Bendigo and Adelaide Bank in November 2025.



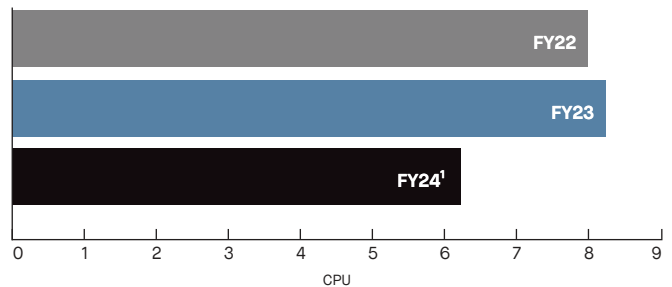
Financial snapshot

Fund commencement date	23 July 2018
Unit price	\$0.89 ¹
Net asset backing	\$0.90 ²
Distribution rate (cents per unit)	6.25 ³
Weighted average lease expiry (WALE) (years)	2.1 ⁴
Next investor vote on term of Fund	23 July 2025

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 6.25 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.

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.

In relation to the 2025 financial year, the forecast distribution rate will largely be dependent on the outcome of the lease renewal discussions with Bendigo and Adelaide Bank, which expires on 17 November 2025 and comprises approximately 93.0% 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 ¹	
Property address	80 Grenfell Street, Adelaide SA
Purchase price (Jul 18)	\$92.3m
Previous valuation - Independent (Jun 23)	\$93.0m
Current valuation (Dec 23)	\$90.5m
Cap rate (Dec 23)	6.00%
Valuer	Directors'

The property was subject to a Directors' 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 tenants by net lettable area (NLA)

Bendigo and Adelaide Bank Lease expires 17 Nov 2025	79%
Australian Naval Infrastructure Lease expires 28 Feb 2030	12%
RP Data (CoreLogic) Lease expires 30 Sep 2027	5%
Civil Aviation Safety Authority Lease expires 31 Jul 2030	4%

Following the recent leasing update included within the valuation letter sent to investors in February, we are pleased to advise that proposals have now been issued to Australian Naval Infrastructure over level 6 (2,145 sqm) and the Australian Health Practitioner Regulation Agency over level 11 (2,060 sqm).

Furthermore, Bendigo and Adelaide Bank have advised it anticipates making a decision on the location of its accommodation in May 2024 and if the tenant was retained on levels 2 to 5 as proposed and the above transactions proceed, this would only leave level 1 to lease, which would be an outstanding result for investors.

We look forward to hopefully providing investors an update towards the end of the 2024 financial year.

Property statistics

	INITIAL ²	JUN-23	DEC-23
Net asset backing	\$0.93	\$0.94	\$0.90
Property occupancy rate	100% ³	100%	100%
Weighted average lease expiry (WALE) (years)	7.3	2.7	2.2

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$42.2m	
Undrawn amount	\$0.7m ⁴	
Loan expiry	30-Apr-24	
% of debt hedged	Nil	
Loan to value ratio (LVR)	44.7% ⁵	57.5%
Interest cover ratio (ICR)	4.68 ⁶	2.0

The debt facility was again recently rolled until 30 April 2024 with the aim of reassessing the Fund's position once there is a greater clarity on the leasing profile of the property. Given the short term nature of the extension, the drawn debt remains fully floating (in addition to the bank margin of 1.70% p.a.).

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](https://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](https://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.

- Figures based on the Fund's 50% interest in the property.
- Based on the Product Disclosure Statement dated 4 June 2018.
- Includes an 18-month rental guarantee over the vacant area of approximately 889 sqm on level 4, which expired on 22 January 2020.
- As at 31 December 2023.
- The LVR is based on the Fund's 50% interest and 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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