

Centuria

Fund Update
March 2024

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 4.76 years.
- Distributions remain at a forecast rate of 7.00 cents per unit (annualised).
- The property was valued independently as at 31 December 2023 and held its value of \$35.5 million.

Fund summary

Distributions for the **Centuria Industrial Income Fund No. 2** (Fund) continue to be paid at a rate of 7.00 cents per (annualised) and in line with the forecasts for the 2024 financial year.

The tenant continues to utilise the warehouse at full capacity and Centuria has continued to investigate expanding the warehouse to provide additional space. Whilst there are numerous vacant land parcels in Paget that could accommodate an alternative premises for the tenant and create perceivable competition for the Diesel Drive site, higher construction costs have created a greater level of construction delivery risk and risk premiums for proposed developments. These factors can benefit existing stock by limiting new supply, but they also make the expansion of the current warehouse more difficult. We have remained in dialogue with the tenant on this front.

The property was independently valued as at 31 December 2023 where the acquisition value of \$35.5 million was held despite capitalisation rates softening 50 basis points from 7.00% to 7.50%. Typical of the current industrial valuation cycle, the softening of capitalisation rate was offset by increases to adopted market rents which have grown by 6.1% to \$191 /sqm since the property's acquisition value.

Across Centuria's platform, \$4.21 billion of industrial assets were valued as at 31 December 2023 with market values remaining relatively stable after demonstrated market rental growth again offset capitalisation rate expansion.

Financial snapshot

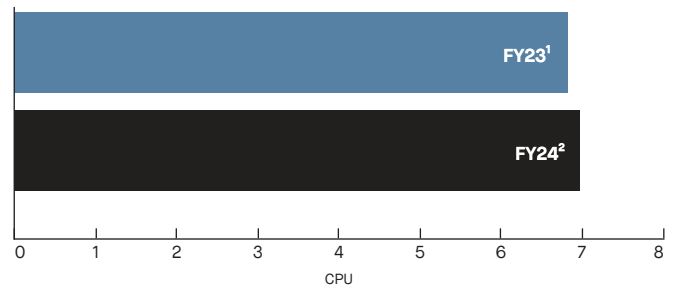
Fund commencement date	8 December 2022
Unit price	0.96
Net asset backing	0.85
Distribution rate (cents per unit)	7.00 ¹
Weighted average lease expiry (WALE) (years)	4.76 ²
Fund term expiry	8 December 2027

1. March 2024 annualised.
2. WALE by income as at 31 March 2024.



Distribution details

ANNUALISED DISTRIBUTION



1. Blended distribution (annualised).
2. March 2024 annualised.

The distribution rate of 7.00 cents per unit (annualised) is in line with the 2024 financial year forecast. 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 (Dec 23)	\$35.50m
Cap rate (Dec 23)	7.50%
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 4.76 years as at 31 March 2024.

Property statistics

	INITIAL ¹	JUN-23	DEC-23
Unit price	1.00	0.98	0.96
Net asset backing	0.85	0.86	0.85
Property occupancy rate	100%	100%	100%
Weighted average lease expiry (WALE) (years) ²	6.10	5.26	4.76

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 Fund's drawn debt is fully hedged at a rate of 3.30% until the end of November 2025 (in addition to the bank margin of 1.45%).

After raising the cash rate target rapidly in FY23, the Reserve Bank of Australia (RBA) has tempered its market intervention in FY24 with only a single 25 basis point increase observed in the current financial year to date. The RBA continues to monitor inflation figures closely and noted in their most recent March meeting that there are encouraging signs of inflation moderating. Despite this, the RBA hold an expectation that it will be some time before inflation is sustainably within the target range of 2% - 3% and is refusing to rule out interest rate rises or cuts definitively.

Across the Centuria unlisted portfolio of funds, we have observed a general trend of margins on debt stabilising at a rate of, or below, 2.00% dependent on fund specifics and risk profiles.

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.

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

2. WALE by income.

3. As at 31 March 2024.

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

5. Based on the most recent valuation.

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