

Centuria

Fund Update
March 2024

Centuria Sandgate Road Fund

(ARSN 618 152 702)

Key points

- As at 31 December 2023, the Net Asset Backing of the Fund is \$0.77 per unit
- Forecast distributions for FY24 confirmed at 6.25 cents per unit (annualised)
- The Brisbane Near City market achieved strong net absorption of 109,153 sqm in 2023

Fund summary

Distributions for the **Centuria Sandgate Road 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

- During the December 2023 quarter, the Brisbane Near City market recorded robust net absorption of 26,140 sqm, which takes the annual figure to 109,153 sqm and reduced the headline vacancy rate by 1.9% to 13.1%.
- As a result, prime gross effectives rents also increased by 0.8% over the quarter, however incentives continue at around 43%.
- Furthermore, given the limited supply pipeline, the Near City vacancy rate is forecast to reach 9.3% by 2027.
- From a capital markets perspective, prime yields remained stable at between 6.00% and 7.75%.

Source: 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 \$0.86 (as at 30 June 2023) to \$0.77 (as at 31 December 2023). This was driven by the capitalisation rate being softened a further 25 basis points to 6.75%, primarily due to prevailing market conditions and allowances being made for the impending lease expiry of the property's major tenant, Energex in November 2027.

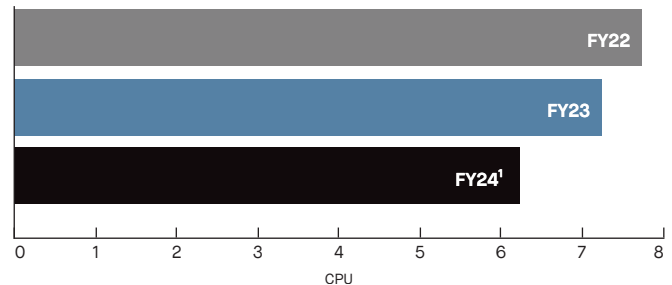


Financial snapshot

Fund commencement date	7 July 2017
Net asset backing	\$0.77 ¹
Distribution rate (cents per unit)	6.25 ²
Weighted average lease expiry (WALE) (years)	4.5 ³
Next investor vote on term of Fund	7 July 2024

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.

In relation to the 2025 financial year, the forecast distribution rate will reduce in order to build up the working capital required to backfill the space likely being vacated by the property's largest tenant, Energex in November 2027. However, given there are potential occupiers interested in leasing various areas within the building, we are not in a position to give guidance at this stage and an update will be provided to investors in June 2024.

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

Property details

ASSET VALUES	
Property address	1231-1241 Sandgate Road, Nundah QLD
Purchase price (Jul 17)	\$106.3m
Previous valuation – Directors' (Jun 23)	\$106.0m
Current valuation (Dec 23)	\$99.5m
Cap rate (Dec 23)	6.75%
Valuer	Savills

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 net lettable area (NLA)

Energex Lease expires 14 Nov 2027	67%
Go Health Clubs Lease expires 6 Dec 2032	16%
State of Queensland Lease expires 31 Dec 2027	11%
Sushi Edo Lease expires 2 Apr 2026	1%
Studio Pilates Lease expires 29 Jul 2028	1%

As outlined within the recent leasing update included within the valuation letter sent to investors in February, the future of Energex at the property remains uncertain and a consolidation of the business within its Newstead location is looking highly likely due to the extremely low occupancy level within the premises. Therefore, we have appointed leasing agents with the aim of backfilling the space prior to expiry in November 2027. Given the favourable conditions currently being experienced within the Brisbane office market, combined with the lack of large, contiguous supply, we are confident of achieving a positive outcome for investors. Pleasingly, there has already been a reasonable amount of interest and we look forward to providing updates as things progress.

Property statistics

	INITIAL ¹	JUN-23	DEC-23
Net asset backing	\$0.90	\$0.86	\$0.77
Property occupancy rate	100%	98%	98%
Weighted average lease expiry (WALE) (years)	9.4	4.3	4.6

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$48.3m	
Undrawn amount	\$0.50m ²	
Loan expiry	30-Jun-24	
% of debt hedged	Nil	
Loan to value ratio (LVR)	48.1% ³	57.5%
Interest cover ratio (ICR)	3.19 ⁴	2.0

The debt facility has been extended by 12 months to coincide with the Fund term expiry and 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.

1. Based on the Product Disclosure Statement dated 7 April 2017.
2. As at 31 December 2023.
3. The LVR is based on the most recent independent valuation as defined under the debt facility agreement.
4. The stated ICR figures are based on the most recent audited accounts as at 31 December 2023.

Disclaimer: Issued by Centuria Property Funds Limited, ABN 11 086 553 639, holder of AFSL 231 149. The information in this document is general information only and does not take into account your personal financial circumstances, needs or objectives. We recommend you speak with your financial and/or taxation advisor before making any decisions in relation to your investment.