

Centuria

Fund Update
September 2024

Centuria 25 Grenfell Street Fund

(ARSN 656 250 154)

Key points

- As at 30 June 2024, the Net Asset Backing of the Fund is \$0.92 per unit.
- Forecast distributions for FY25 confirmed at 2.00 cents per unit (annualised).
- Terms agreed over a further 1,924 sqm of vacant space during the six months to September 2024.
- In addition to the foyer refurbishment, the state-of-the-art end of trip and wellness facility is now complete.

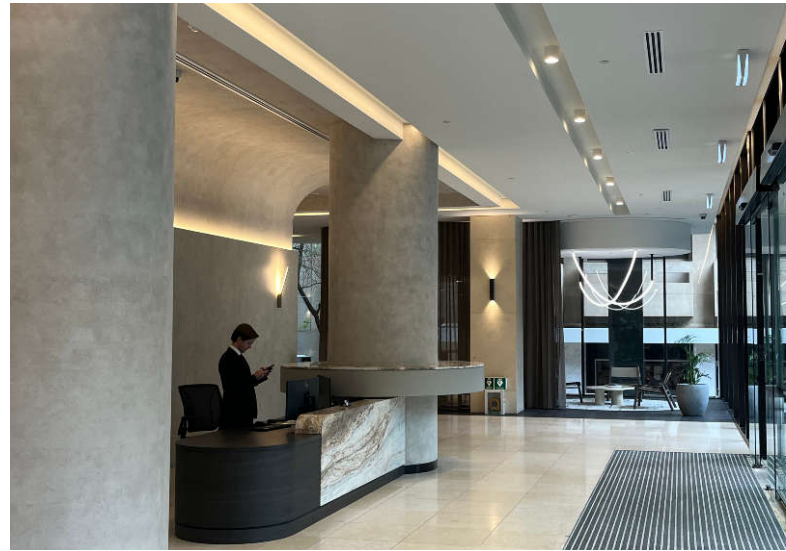
Fund summary

Distributions for the **Centuria 25 Grenfell Street Fund** (Fund) continued to be paid at 2.00 cents per unit (annualised) for the September quarter, which is in line with the forecast for the 2025 financial year. The corresponding distribution statement for the Fund can be accessed from our online investor portal at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au).

Market overview

- Due to positive net absorption, primarily in new generation stock recently introduced to the market, the Adelaide CBD vacancy rate has reduced by 0.4% to 16.6% during the June 2024 quarter.
- The 'flight to quality' will continue to place pressure on older assets and drive demand in prime buildings with net absorption anticipated to reach 20,000 sqm by the end of 2024, before moderating to 10,000 sqm in 2025.
- Occupiers expanding and centralising from suburban office locations, coupled with growth in the public administration and safety, education and training, and finance and insurance sectors are forecast to underpin this demand.
- As a result, prime gross face rents have increased by 5.7% over the past 12 months, however incentives remain elevated at between 35% and 40% due to the large amount of backfill space available following the recent supply wave of new developments.
- Therefore, prime gross effective rents are expected to continue to increase beyond 2025, albeit at a slower rate of around 2.8% per annum over the next five years.
- Investor activity remains low with average prime yields softening further in the June 2024 quarter to 7.75%, however capitalisation rates are anticipated to stabilise throughout 2025 before tightening over the following two years.

Source: JLL Research



30 June 2024 Net Asset Backing

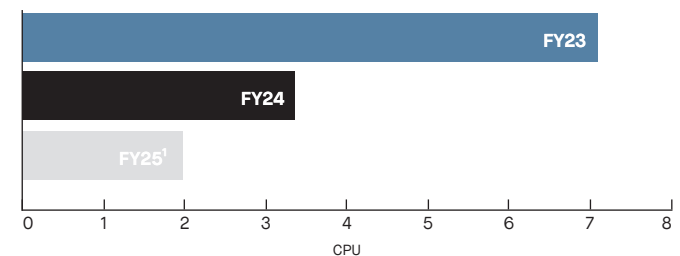
The 30 June 2024 audited financial report is now available to download from the online investor portal at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au). The report confirms the Net Asset Backing (NAB) of units in the Fund remained at \$0.92 (as at 30 June 2024), even though the property's valuation increased since additional capital has been invested into the building, which has primarily been focussed on improving the leasing prospects of the asset.

Financial snapshot

Fund commencement date	1 April 2022
Unit price	\$0.95 ¹
Net asset backing	\$0.92 ²
Distribution rate (cents per unit)	2.00 ³
Weighted average lease expiry (WALE) (years)	3.1 ¹
Next investor vote on term of Fund	31 March 2027

Distribution details

ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate of 2.00 cents per unit (annualised) for the September quarter is in line with the 2025 financial year forecast. Please note, this forecast distribution rate reflects the current performance of the Fund. It is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of the Fund, including that all tenants will satisfy their contractual obligations under their respective leases within a timely manner. The forecast also assumes there are no significant unforeseen capital costs and no material changes to the Fund's financial obligations. The actual distributions may differ from the forecast figures.

1. As at 30 June 2024.

2. Based on the most recent audited accounts as at 30 June 2024. Without the Mark to Market of the Fund's interest rate swap, the NAB per unit in the Fund would be \$0.91.

3. September 2024 quarter, annualised.

Property details

ASSET VALUES	
Property address	25 Grenfell Street, Adelaide SA
Purchase price (Feb 22)	\$73.7m ¹
Previous valuation - Directors' (Dec 23)	\$81.0m
Current valuation (Jun 24)	\$83.5m
Cap rate (Jun 24)	6.88%
Valuer	JLL

The property was subject to an independent valuation for the purposes of the 30 June 2024 audited financial report and the key metrics of this valuation are outlined in the table above.

Top tenants by net lettable area (NLA)

Minter Ellison Lease expires 31 Dec 2032	11%
Aurecon Lease expires 30 Apr 2027	10%
Lipman Karas Lease expires 10 Dec 2027	9%
Regus Leases expire 30 Apr 2025 & 30 Nov 2032	9%

We are pleased to report that the end of trip and wellness facility, speculative fitout on level 13 and refurbishment of level 16 have all been completed. These projects combined with the recently upgraded foyer, now ensures the property offers what is arguably some of the best office space available within the Adelaide CBD.

Please [click here](#) to view images of the new end of trip and wellness facility.

As a result, leasing momentum continues to be relatively strong, with four additional transactions totalling 1,924 sqm (7.8% of NLA) agreed over the past six months to 30 September 2024. Please see below for a summary:

- Part Retail Ground Floor (284 sqm) – Three-year renewal to Suncorp Bank.
- Part Level 6 (164 sqm) – New five-year lease to Lockton Insurance.
- Part Level 8 (399 sqm) – Australian Energy Market Operator relocating from 214 sqm on level 1 to a new seven-year lease in a larger tenancy.
- Level 14 (1,078 sqm) – New seven-year lease to SA Health.

Once again, a majority of these have been completed at market rents in excess of the initial acquisition feasibility. Furthermore, we have also issued proposals over another 1,858 sqm of the remaining 4,337 sqm of vacancy within the building (17.5% of NLA) and we look forward to providing investors with further updates on leasing in due course.

Property statistics

	INITIAL ²	DEC-23	JUN-24
Net asset backing	\$0.97	\$0.92	\$0.92
Property occupancy rate	90%	95%	82%
Weighted average lease expiry (WALE) (years)	3.9	2.8	3.1

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$44.8m ³	
Undrawn amount	\$4.3m ⁴	
Loan expiry	31-Jan-25	
% of debt hedged	73.9% ⁵	
Loan to value ratio (LVR)	48.6% ⁶	57.5%
Interest cover ratio (ICR)	3.4 ⁷	2.0

Given the impending expiry of the debt facility, discussions are being held with the incumbent financier and we have received indicative terms for an early refinance until March 2027, which includes a margin of 1.60% p.a., an increased LVR covenant to 60% and a reduced ICR covenant of 1.50 times. Please note, this is still subject to credit approval and may change, however if these terms are finalised, it will be an excellent result for the Fund. Additional hedging to protect against further interest rate volatility beyond January 2025 is also being considered and an overview of the revised debt position will be provided in the March 2025 Fund Update.

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 30 June 2024, the Fund remained 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.

1. Acquisition price including outstanding incentives was \$83.3m.
2. Based on the Product Disclosure Statement dated 21 February 2022.
3. As at 30 June 2024.
4. As at 31 August 2024.
5. The Fund's drawn debt is 73.9% hedged at a rate of 1.50% p.a. until 28 Feb 2025.
6. The LVR is as at 30 June 2024 and based on the most recent independent gross valuation as defined under the debt facility agreement.
7. The stated ICR figure is as at 30 June 2024 and is based on the most recent audited accounts.

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