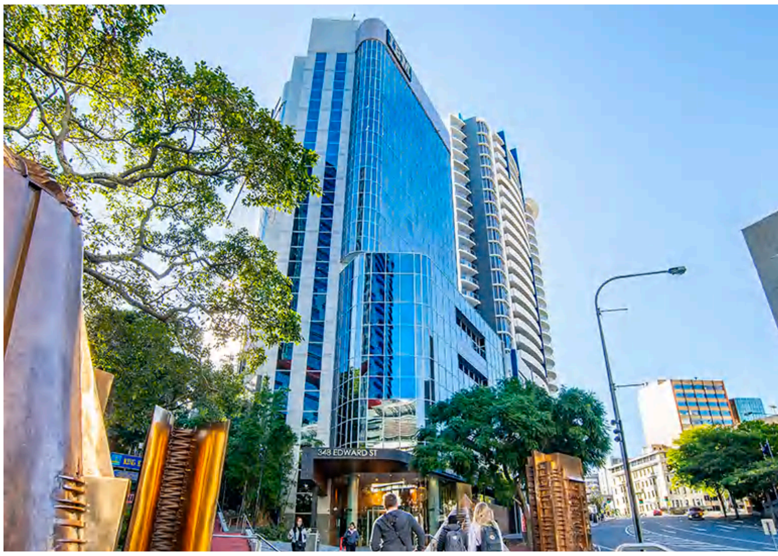
Centuria



Fund Update
September 2024

Centuria 348 Edward Street Fund

(ARSN 636 584 515)

Key points

- Leases executed on level 13 and 6, improving occupancy to 95%.
- Monthly distributions paid in line with FY25 guidance of 2.00 cents per unit (annualised).
- General Meeting of Investors to be held prior to December 2024 to consider a Fund term extension.

Fund summary

Distributions for the **Centuria 348 Edward Street Fund** (Fund) have to date been paid in line with the FY25 forecast of 2.00 cents per unit (annualised). The Fund's distribution rate has unfortunately been impacted by increased interest costs and forecast downtime. The corresponding distribution statement for the Fund can be accessed from our online investor portal at **CenturiaInvestor.com.**

The Fund's underlying property investment continues to perform well, retaining the majority of existing tenants and attracting new tenants when space becomes available. Management completed nine leasing deals during the 2024 financial year, totalling 2,559 sqm which represents 21% of the building's net lettable area. The quantum of leasing deals Centuria has completed reflects robust demand for good quality, well located office space in Brisbane.

The initial Fund term is due for consideration in (or prior to) December 2024. The Manager acknowledges the current performance of the Fund and highlights the uncertainty that the current interest rate environment is causing in commercial property markets. This has unfortunately negatively impacted the valuation of the property and reduced the Fund's distribution rate as well. Therefore, a sale in the current environment is not recommended and is likely to result in opportunistic offers being received.

Looking ahead, there are several positive considerations relating to the future investment period of the Fund:

- The Brisbane Fringe continues to benefit from economic tailwinds, showing strong rental growth over the past few years.
- Management is in proactive discussions with major tenants including Deswick (31.3% by NLA/expiry 30 November 2027), which will assist the leasing profile if resolved.
- Potential for interest rates to reduce in 2025 may assist with future liquidity of the asset.

Therefore, subject to board approval, it is likely that a recommendation will be made to extend the Fund term for two years to allow additional time for markets to stabilise, achieve further leasing traction, and benefit from rental growth. Please note, this strategy is subject to change and will be confirmed in the Notice of Meeting and Explanatory Memorandum that is anticipated to be issued in early November 2024.

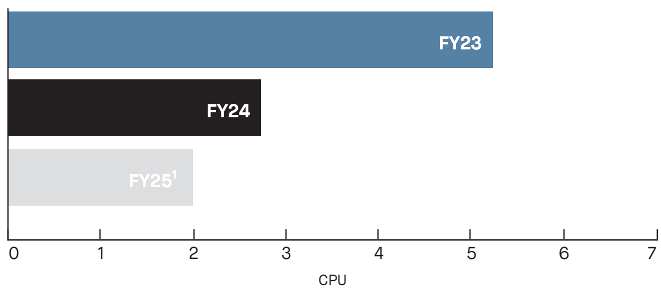
The 30 June 2024 audited financial report is now available to download from our online investor portal at **CenturiaInvestor.com.** The report confirms the Fund's Net Asset Backing (NAB) per unit has reduced slightly from \$0.74 to \$0.71 over the half year to 30 June 2024. The property was most recently valued as at 30 June 2024, showing a 1.2% reduction from forecast book value or a reduction of \$1.0m in comparison to the 31 December 2023 valuation. The valuation capitalisation rate remained stable at 7.25%.

Financial snapshot

Fund commencement date	12 December 2019
Unit price	\$0.73[1]
Net asset backing	\$0.71[2]
Distribution rate (cents per unit)	2.00[3]
Weighted average lease expiry (WALE) (years)	2.33[1]
Next investor vote on term of Fund	12 December 2024

Distribution details

ANNUALISED DISTRIBUTION



1. FY25 Forecast.

1. As at 30 June 2024.
2. Based on most recent audited accounts (30 June 2024).
3. September 2024 quarter, annualised.

The forecast distribution rate for the 2025 financial year has decreased from 2.75 cents per unit to 2.00 cents per unit (annualised). The forecast reduction in distribution rate is directly a result of:

Higher interest costs: The Fund's existing fixed interest rate hedge has recently expired (50% fixed at 3.785%) and the forecast increased costs are associated with the reversion of the rate to prevailing levels (currently ~4.45%). Due to the approaching Fund term expiry, further fixed rate hedging will only be implemented to meet the requirements under the debt facility agreement; and

Projected downtime resulting from anticipated vacancy in the property: Leases across approximately 13% of the property (by NLA) are due for expiry during FY25. Whilst management continues to proactively seek leasing commitment for these tenants, some are forecast to vacate. However, it is important to reiterate that the underlying property investment continues to perform well, with management leasing up and driving rents ahead of the initial feasibility assumptions at the time of acquisition.

This FY25 forecast distribution rate also 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, no material changes to the Fund's financial obligations, and no material changes to interest costs. The forecast distribution rate is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of the Fund.

Property details

ASSET VALUES	
Property address	348 Edward Street, Brisbane, QLD
Purchase price (Dec 19)	$79.0m[1]
Previous valuation (Dec 23)	$83.0m
Current valuation (Jun 24)	$83.0m
Cap rate (Jun 24)	7.25%
Valuer	Directors'

Top five tenants by net lettable area (NLA)

Deswik Mining Consultants Lease expires 30 Nov 2027	31.3%
BMT Commercial Australia Lease expires 31 Jan 2028	13.4%
The Citadel Group Lease expires 31 Jan 2025	7.9%
QLD Sugar Lease expires 30 June 2026	7.3%
Health Workforce QLD Lease expires 31 Aug 2025	3.5%

Property statistics

	INITIAL[2]	DEC-23	JUN-24
Net asset backing	$0.88	$0.74	$0.71
Property occupancy rate	88%	91%	95%
Weighted average lease expiry (WALE) (years)	5.10	2.48	2.33

Market overview

- Positive net absorption recorded in the Brisbane CBD, totalling 6,911 sqm.
- Ongoing construction delays and rising costs for new developments are impacting the future supply of office projects in Brisbane.
- There were no office completions in Brisbane CBD over the quarter.
- CBD and Near City prime net effective rents increased 3.4% and 5.8% over the quarter.
- Prime CBD yields softened 25 bps on the upper end and 75 bps on the lower end to now range between 6.00% to 8.00%. Prime Near City yields softened 25 bps on the upper and 25 bps on the lower to now range between 6.50% to 8.25%.

Source: JLL Research Q2 2024

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility Limit	$46.7m[3]	
Undrawn amount	$4.6m[3]	
Loan expiry	1 Dec 2024	
% of debt hedged	-[4]	
Loan to value ratio (LVR)	50.7%[5]	60.0%
Interest cover ratio (ICR)	1.90[6]	1.50

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 has 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 $89.0m.
2. Based on the Product Disclosure Statement dated 31 October 2019.
3. As at 30 June 2024.
4. The Fund's existing heding expired in June 2024, ahead of the fund term expiry in December 2024.
5. The LVR is as at 30 June 2024 and based on the most recent independent valuation as defined under the debt facility agreement.
6. The stated ICR figures are based on the most recent audited accounts (30 June 2024).