

Centuria

Fund Update
September 2024

Centuria 8 Central Avenue Fund No. 2

(ARSN 605 264 211)

Key points

- FY25 monthly distributions paid in line with increased guidance of 6.00 cpu (annualised) reflecting a yield of 8.2% on remaining original equity.
- Lease proposal issued to Department of Education (18.6% by NLA/7,710 sqm/expiry 30 November 2025).
- 30 June 2024 Net Asset Backing confirmed at \$1.49 per unit, in addition to early capital return of \$0.27 per unit in March 2021.

Fund summary

Distributions for the **Centuria 8 Central Avenue Fund No.2** (Fund) have to date been paid in line with the FY25 forecast of 6.00 cents per unit (annualised), which reflects a yield of 8.2% on remaining initial equity (following the early return of capital in March 2021). The corresponding distribution statement for the Fund can be accessed from our online investor portal at **CenturiaInvestor.com**.

Centuria management continues to engage with the Department of Education (18.6% by NLA/7,710 sqm/expiry 30 November 2025) as this lease remains the key near term expiry for the Fund. In order to seek meaningful engagement, we have issued an extensive leasing briefing and proposal to the tenant's representative. The brief was intentionally prepared following the same framework as the recently agreed lease with Transport NSW on Level 9 with the aim of encouraging early consideration by the Government. We look forward to keeping investors updated as this process progresses.

The 30 June 2024 audited financial report is now available to download from our online investor portal at **CenturiaInvestor.com**. The Fund's Net Asset Backing (NAB) per unit, based on audited accounts, decreased slightly from \$1.56 (as at 31 December 2023) to \$1.49 (as at 30 June 2024) due to a minor reduction in the property's valuation. Please note that the Fund has previously returned \$0.27 per unit to all Investors in March 2021 (in addition to the prevailing NAB).

Financial snapshot

Fund commencement date	1 July 2015
Net asset backing	\$1.49 ¹
Distribution rate (cents per unit)	6.00 ²
Weighted average lease expiry (WALE) (years)	6.66 ³
Next investor vote on term of Fund	1 January 2026

1. Based on most recent audited accounts (30 June 2024), and in addition to the \$0.27 early return of capital made in March 2021. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would remain at \$1.49.

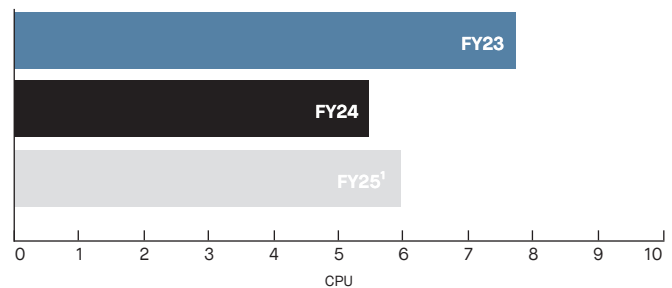
2. September 2024 quarter, annualised.

3. As at 30 June 2024.



Distribution details

ANNUALISED DISTRIBUTION



1. FY25 Forecast.

We are pleased to report that the forecast distribution rate for the 2025 financial year has increased from 5.50 cents per unit (FY24 distribution rate) to 6.00 cents per unit (FY25 forecast, annualised). This forecast distribution rate reflects a yield of approximately 8.2% on remaining initial equity following the early return of capital in March 2021.

The property has two material leasing expiries approaching over the next 18 months being Yahoo Australia (4.9% by NLA/2,031 sqm/expiry 30 June 2025), and the Department of Education (18.6% by NLA/7,710 sqm/expiry 30 November 2025).

As a result, the FY25 distribution rate includes a payout ratio to accommodate potential downtime in FY26 and places the Fund in a better position should the tenants vacate or reduce their lease footprint. However, should leasing traction with these tenants be achieved during FY25, the distribution rate may be reviewed.

The projected distribution rate takes into account various assumptions related to leasing, and if these assumptions are not met (or exceeded), the FY25 distribution forecast may be updated. This 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	8 Central Avenue, South Eveleigh, NSW
Purchase price (Jul 15)	\$109.4m ¹
Previous valuation (Dec 23)	\$190.0m ¹
Current valuation (Jun 24)	\$186.5m ¹
Cap rate (Jun 24)	6.00%
Valuer	Directors'

The key metrics of the 30 June 2024 valuation are outlined in the table above.

At a macroeconomic level, the commercial real estate market continues to be negatively impacted by the significant increase in the cost of debt, which has resulted in reductions to distributable income and lower property valuations across a number of sectors. To illustrate, as at June 2024, the Property Council of Australia/MSCI Australia Unlisted Retail Fund Index recorded a 12-month total return of -16.8%. For reference, this data includes the performance of funds holding approximately \$10.6 billion of assets. Unfortunately, Centuria's portfolio has not been immune to the influence of these factors.

The valuation for the Fund's 50% share of 8 Central Avenue, South Eveleigh reduced from an expected book value of \$193.8 million to \$186.5 million (-3.75%) as a result of cap rate softening from 5.75% to 6.00% (+25 basis points), with no other change in metrics.

Top five tenants by net lettable area (NLA)

Pacific Magazines Lease expires 31 Dec 2029	25.4%
NSW Department of Education Lease expires 30 Nov 2025	21.1%
NEP Australia Lease expires 31 Dec 2044	18.8%
Seven Network Operations Lease expires 31 Dec 2029	15.8%
Transport for NSW Lease expires 30 Jun 2031	8.2%

The property is 100% occupied with a weighted average lease expiry (WALE) by income of approximately 6.66 years as at 30 June 2024.

Property statistics

	INITIAL ²	DEC-23	JUN-24
Net asset backing	\$0.90	\$1.56	\$1.49 ³
Property occupancy rate	100%	100%	100%
Weighted average lease expiry (WALE) (years)	10.97	7.14	6.66

Market overview

- Sydney Fringe net absorption over Q2 2024 totalled 6,951 sqm, however headline vacancy has increased 30bps to 12.3% with the uplift primarily attributed to the completion of new supply.
- Over the same period, prime gross effective rents reduced 1.9% to now average \$584 per sqm, driven by decreases in the inner eastern fringe, as well as the Redfern and Ultimo markets.
- One major sale (>\$5m) was recorded in the Sydney Fringe market over the quarter, totalling \$103m, which was the sale of another Centuria asset within the same precinct, 1 Central Avenue, South Eveleigh.
- Prime yields softened by 25bps on the upper and 27bps on the lower end to now range between 6.00% - 7.25%, as at Q2 2024

Source: JLL Research Q2 2024

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$92.5m ⁴	
Undrawn amount	\$4.00 ⁴	
Loan expiry	31 Dec 2025	
% of debt hedged	70.0% ⁵	
Loan to value ratio (LVR)	46.6% ⁶	60.0%
Interest cover ratio (ICR)	2.17 ⁷	1.75

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](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.

- Based on 50% of the property.
- Based on the Product Disclosure Statement dated 8 April 2015.
- After deducting the \$0.27 early return of capital made in March 2021.
- As at 30 June 2024.
- The Fund's drawn debt is 70% hedged until March 2025.
- The LVR is as at 30 June 2024 and based on the most recent independent valuation as defined under the debt facility agreement.
- The stated ICR figures are based on the most recent audited accounts (30 June 2024).

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