

Centuria

Fund Update
September 2024

Centuria 80 Grenfell Street Fund

(ARSN 626 187 022)

Key points

- As at 30 June 2024, the Net Asset Backing of the Fund is \$0.83 per unit.
- Forecast distributions for FY25 confirmed at 6.00 cents per unit (annualised).
- Terms agreed with Bendigo and Adelaide Bank for a new seven year lease over levels 2 to 5.

Fund summary

Distributions for the **Centuria 80 Grenfell Street Fund** (Fund) continued to be paid at 6.00 cents per unit (annualised) for the September 2024 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.

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.



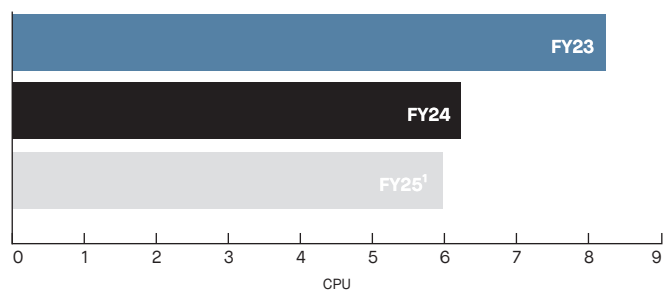
The report confirms the Net Asset Backing (NAB) of units in the Fund decreased from \$0.90 (as at 31 December 2023) to \$0.83 (as at 30 June 2024), which was driven by a reduction in the property's valuation due to a further softening in the capitalisation rate by 37.5 basis points to 6.375%. However, the recent leasing success achieved at the property, which is outlined in more detail within the Top tenants section, is likely to have a positive impact on the 31 December 2024 valuation.

Financial snapshot

Fund commencement date	23 July 2018
Unit price	\$0.83 ¹
Net asset backing	\$0.83 ²
Distribution rate (cents per unit)	6.00 ³
Weighted average lease expiry (WALE) (years)	3.3 ¹
Next investor vote on term of Fund	23 July 2025

Distribution details

ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate of 6.00 cents per unit (annualised) for the September 2024 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.

3. September 2024 quarter, annualised.

Property details

ASSET VALUES ¹	
Property address	80 Grenfell Street, Adelaide SA
Purchase price (Jul 18)	\$92.3m
Previous valuation - Directors' (Dec 23)	\$90.5m
Current valuation (Jun 24)	\$86.8m
Cap rate (Jun 24)	6.38%
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)

Bendigo and Adelaide Bank Lease expires 17 Nov 2025	69%
Australian Naval Infrastructure Lease expires 28 Feb 2030	22%
RP Data (CoreLogic) Lease expires 30 Sep 2030	5%
Civil Aviation Safety Authority Lease expires 31 Jul 2030	4%

We are extremely pleased to advise that terms have now been agreed with Bendigo and Adelaide Bank (BAB) for a seven year extension over levels 2 to 5, with an option to also lease level 1, which is looking likely as well. In addition, terms have also been agreed with the Australian Health Practitioner Regulation Agency (AHPRA) over level 11 for 10 years. This only leaves part level 9 to backfill with still over 12 months until BAB's lease expiry.

As a result and subject to final documentation, we have leased over 20,000 sqm well before it expires and at some of the highest rents recorded in the Adelaide CBD of between \$570 per sqm net to \$600 per sqm net, which is an exceptional outcome for investors.

Property statistics

	INITIAL ²	DEC-23	JUN-24
Net asset backing	\$0.93	\$0.90	\$0.83
Property occupancy rate	100% ³	100%	100%
Weighted average lease expiry (WALE) (years)	7.3	2.2	3.3

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$42.2m	
Undrawn amount	\$0.7m ⁴	
Loan expiry	30-Nov-24	
% of debt hedged	Nil	
Loan to value ratio (LVR)	47.9% ⁵	57.5%
Interest cover ratio (ICR)	2.5 ⁶	2.0

The debt facility was again recently rolled until 30 November 2024, however following the recent leasing progress, refinancing discussions have commenced. Given the current loan tenure, combined with the Fund term expiry in July 2025, 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 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](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.

- Figures based on the Fund's 50% interest in the property.
- Based on the Product Disclosure Statement dated 4 June 2018.
- Includes an 18-month rental guarantee over the vacant area of approximately 889 sqm on level 4, which expired on 22 January 2020.
- As at 31 August 2024.
- The LVR is as at 30 June 2024, based on the Fund's 50% interest and the most recent independent valuation as defined under the debt facility agreement.
- The stated ICR figures are based on the most recent audited accounts as at 30 June 2024.

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