

Centuria

Fund Update September 2024 Centuria Geelong Office Fund

(ARSN 623 696 800)

Key points

- Distribution rate paid in line with the FY25 first half forecast at 5.50 cents per unit (annualised).
- Distributions for the second half of FY25 are under review and may be suspended to fund future repositioning and leasing costs.
- 30 June 2024 net asset backing confirmed at \$0.81 per unit.

Fund summary

Distributions for the **Centuria Geelong Office Fund** (Fund) have been paid in line with the FY25 first half forecast of 5.50 cents per unit (annualised). The corresponding distribution statement for the Fund can be accessed from our online investor portal at [CenturiaInvestor.com](https://www.centuriainvestor.com).

The underlying investment property has continued to perform well, delivering regular monthly distributions since inception which are underpinned by a strong occupancy of 97% and a weighted average lease expiry of 4.38 years as at 30 June 2024.

Management continues to meet with the property's major tenant, Transport Accident Commission (TAC), to discuss its future accommodation requirements with the lease due to expire in January 2029. However, the organisation has now commenced an expressions of interest process for their future leasing requirements in Geelong. Centuria has met with TAC following its submission, and unfortunately it has advised there is no defined time frame for the conclusion of this process.

The Fund term is due for consideration prior to April 2025 and the outcome of the TAC leasing renewal will directly impact the Fund term expiry recommendation. It is likely Centuria will recommend a two-year extension to either allow time to market the property for sale during the first half of the 2025 calendar year or provide time to reset the leasing profile of the property. Please note, this strategy is subject to change and will be confirmed closer to the Fund term expiry.

The 30 June 2024 audited financial report is now available to download from our online investor portal at [CenturiaInvestor.com](https://www.centuriainvestor.com). The report confirms the Fund's Net Asset Backing (NAB) per unit reduced from \$0.88 to \$0.81 over the half year to 30 June 2024. The change in the NAB was driven by a reduction in the property valuation as at 30 June 2024 from \$119.0 million (as at 31 December 2023) to \$114.0 million (as at 30 June 2024) – as a result of the capitalisation rate softening from 6.625% to 7.00% (+37.5 basis points), with no other change in metrics.



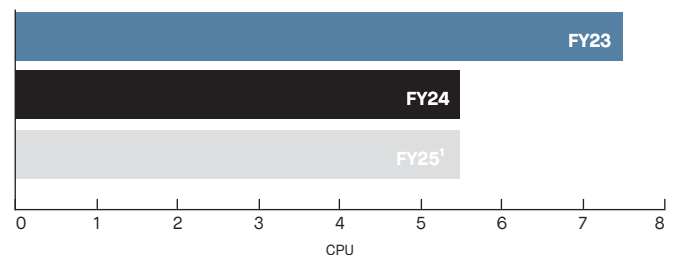
Financial snapshot

Fund commencement date	4 April 2018
Unit price	\$0.81 ¹
Net asset backing	\$0.81 ²
Distribution rate (cents per unit)	5.50 ³
Weighted average lease expiry (WALE) (years)	4.38 ¹
Next investor vote on term of Fund	4 April 2025

As outlined in the Product Disclosure Statement, units were issued at \$1.00 per unit. Thereafter, the unit price will reflect the NAB per unit with adjustments made for the amortisation of certain fees and expenses on a straight-line basis over five years.

Distribution details

ANNUALISED DISTRIBUTION



1. FY25 Forecast.

The Fund's forecast distribution rate for the first half of the 2025 financial year is forecast to remain at 5.50 cents per unit (annualised).

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 and no material changes to the Fund's financial or interest expense obligations.

Please note, management is closely monitoring the renewal discussions with TAC, however this process is likely to be protracted. It is also anticipated that there will be substantial costs in facilitating a lease extension or attracting a new tenant to the building.

1. As at 30 June 2024.

2. Based on most recent audited accounts (30 June 2024).

3. September 2024 quarter, annualised.

As such, the Fund's FY25 distribution rate is under review and may be suspended to commence accumulating these funds to accommodate future repositioning and leasing costs to the asset.

This forecast distribution rate for the first half of FY25 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, and no material changes to the Fund's financial obligations. 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	60 Brougham Street, Geelong, VIC
Purchase price (Apr 18)	\$115.25m
Previous valuation (Dec 23)	\$119.0m
Current valuation (Jun 24)	\$114.0m
Cap rate (Jun 24)	7.00%
Valuer	Directors'

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

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. As independent valuations reflect higher capitalisation rates due to increased interest rates, valuations are coming under pressure – regardless of the underlying investment property's performance.

Please note that with the approaching lease expiry of the major tenant (TAC, January 2029), an independent valuation will be instructed in December 2024 and the valuer may apply heavy deductions associated with the expiry (~4 years away).

Top tenants by Net Lettable Area (NLA)

Transport Accident Commission Lease expires 4 Jan 2029	92.1%
Victorian Chamber of Commerce & Industry Lease expires 18 Apr 2027	1.5%
WT Australia Lease expires 31 Aug 2027	1.3%
Parliament of Victoria Lease expires 8 Feb 2029	0.9%

Property statistics

	INITIAL ¹	DEC-23	JUN-24
Net asset backing	\$0.89	\$0.88	\$0.81
Property occupancy rate	100%	97%	97%
Weighted average lease expiry (WALE) (years)	10.30	4.86	4.38

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$57.5m ²	
Undrawn amount	\$3.9m ²	
Loan expiry	29 March 2025	
% of debt hedged	- ³	
Loan to value ratio (LVR)	45.1% ⁴	60.0%
Interest cover ratio (ICR)	2.75 ⁵	2.00

The Fund's debt facility has been extended in line with the Fund term, and will now expire on 29 March 2025. The Fund's interest rate swap over 75% of the Fund's drawn debt recently expired in June 2024, further interest rate hedging will be considered in conjunction with the result of current negotiation with TAC and the approaching Fund term expiry.

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 Valuation Ratio (LVR). The next refinance of the debt facility (April 2025) is very important, and will also be influenced by the result of the current lease negotiations. If the Fund is successful in securing a lease, additional debt facility headroom is likely to be needed in order to facilitate the works.

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.

- Based on the Product Disclosure Statement dated 5 February 2018.
- As at 30 June 2024.
- The Fund's existing hedging expired in June 2024, ahead of the Fund term expiry in April 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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