

Centuria

Fund Update
September 2024

Centuria Government Income Property Fund

(ARSN 650 901 812)

Key points

- As at 30 June 2024, the Net Asset Backing of the Fund is \$0.72 per unit.
- Forecast distributions for FY25 confirmed at 3.75 cents per unit (annualised).
- Office market fundamentals in the Melbourne Fringe are softening.

Fund summary

Distributions for the **Centuria Government Income Property Fund** (Fund) continued to be paid at 3.75 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**.

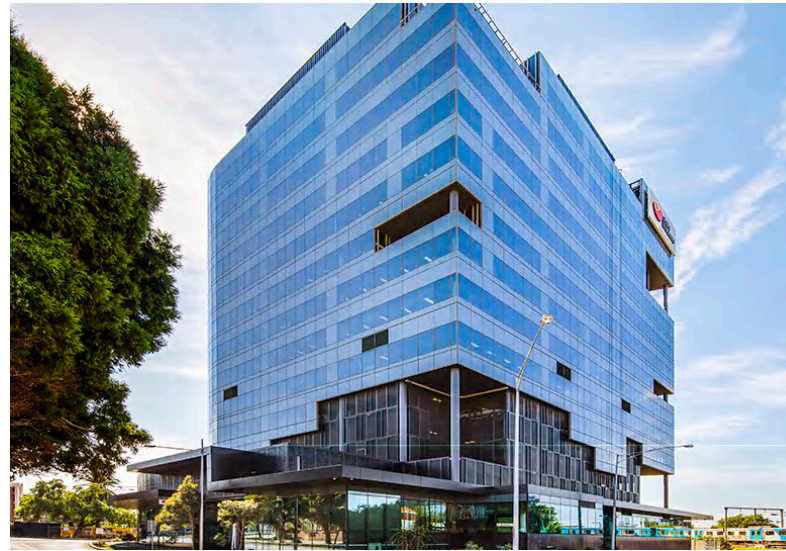
Market overview

- Demand within the Melbourne Fringe market has softened and as a result, the vacancy rate has increased from 15.2% to 18.8% over the past 12 months.
- Furthermore, there are 10 projects currently under construction that are expected to deliver 111,065 sqm of additional office space within the Melbourne Fringe, which will continue to put pressure on rents and incentives.
- Weak office demand in Victoria due to cost cutting measures and the persistence of hybrid work also makes the short to medium term outlook challenging.
- Prime yields in the Melbourne Fringe are sitting between 6.00% to 7.75% and the absentee owners' surcharge continues to discourage foreign capital, which is having an impact on investment within the state. However, further clarity surrounding interest rates in 2025 could assist on this front.

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 \$0.75 (as at 31 December 2023) to \$0.72 (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 25 basis points to 5.50%. However, the change was partially offset by a 4.3% increase in market rents due to recent leasing transactions completed within the Melbourne Fringe office markets.



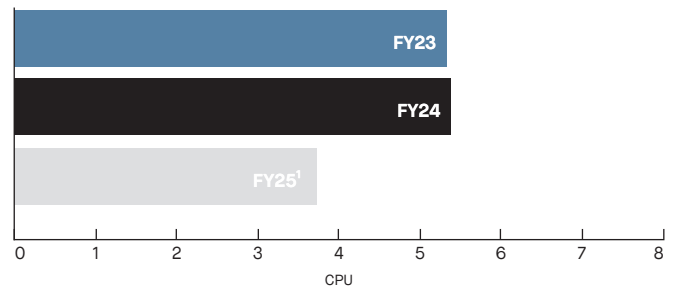
Financial snapshot

Fund commencement date	11 Aug 2021
Unit price	\$0.78 ¹
Net asset backing	\$0.72 ²
Distribution rate (cents per unit)	3.75 ³
Weighted average lease expiry (WALE) (years)	9.2 ¹
Next investor vote on term of Fund	11 Aug 2026

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. Forecast (annualised).

The distribution rate of 3.75 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. Without the Mark to Market of the Fund's interest rate swap, the NAB per unit in the Fund would be \$0.69.

3. September 2024 quarter, annualised.

Property details

ASSET VALUES	
Property address	1 McNab Avenue, Footscray VIC
Purchase price (Aug 21)	\$223.7m
Previous valuation - Directors' (Dec 23)	\$204.8m
Current valuation (Jun 24)	\$202.0m
Cap rate (Jun 24)	5.50%
Valuer	M3

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 five tenants by net lettable area (NLA)

State Trustees Lease expires 12 Jun 2034	32%
City West Water Lease expires 22 May 2034	31%
Department of Treasury and Finance Lease expires 31 May 2034	27%
McConnell Dowell Lease expires 31 Aug 2027	8%
Carina Ford Lawyers Lease expires 31 May 2027	2%

As at 30 June 2024, the property is 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 9.2 years.

Property statistics

	INITIAL ¹	DEC-23	JUN-24
Net asset backing	\$0.87	\$0.75	\$0.72
Property occupancy rate	100%	100%	100%
Weighted average lease expiry (WALE) (years)	11.8	9.7	9.2

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$113.5m	
Undrawn amount	\$3.6m ²	
Loan expiry	11-Aug-26	
% of debt hedged	50.1% ³	
Loan to value ratio (LVR)	54.4% ⁴	60.0%
Interest cover ratio (ICR)	3.7 ⁵	2.0

Under the Fund's five-year facility, the drawn debt remains at \$109.85 million, which is 50.1% hedged at a fixed rate of 1.34% p.a. (in addition to the bank margin of 1.20% p.a.) until 30 June 2026, with the ability to draw an additional \$3.60 million for future leasing related costs and base building capital expenditure.

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).

Centuria investor website

You can access all information relating to your Centuria investments at [Centuriainvestor.com.au](https://www.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://www.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. Based on the Product Disclosure Statement dated 1 July 2021.
2. As at 31 August 2024.
3. The Fund's drawn debt is 50.1% hedged at a rate of 1.34% p.a. until 30 June 2026.
4. The LVR is as at 30 June 2024 and based on the most recent independent valuation as defined under the debt facility agreement.
5. The stated ICR figures are based on the most recent audited accounts as at 30 June 2024.

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