

# Centuria

## Fund Update September 2024 Centuria SOP Fund

### Key points

- Distribution rate paid in line with forecast at 4.25 cents per unit (annualised).
- Potential to increase distributions in second half of FY25 pending leasing traction on level 2 and level 5.
- NSW state budget announces \$2 billion commitment toward the construction of the Parramatta Light Rail Stage 2.
- 30 June 2024 Net Asset Backing confirmed at \$0.80 per unit.
- Fund strategy continues to be monitored and investor briefing anticipated to be held prior to June 2025.

### Fund summary

Distributions for the **Centuria SOP Fund** (Fund) have been paid in line with the FY25 first half forecast of 4.25 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 recent NSW state budget included a \$2 billion commitment towards the construction of the Parramatta Light Rail Stage 2. The 12km alignment will link the Parramatta CBD to Sydney Olympic Park and construction of the second stage will commence before the next state election in March 2027. This will improve connectivity to the Olympic Park precinct and is likely to also improve the attractiveness of the precinct.

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 of 8 Australia Avenue, Sydney Olympic Park NSW was undertaken as at 30 June 2024. The valuation reduced from an expected book value of \$48.5 million to \$45.0 million (-9.08%) due to a softening in the cap rate from 6.50% to 7.00% (+50 basis points), as well as an additional 30% of the net lettable area being captured as a below-the-line expiry allowance.

As a result, the Fund's Net Asset Backing (NAB) per unit, based on audited financial accounts, decreased from \$0.94 (as at 31 December 2023) to \$0.80 (as at 30 June 2024).



Centuria continues to review the strategy and future of the Fund and in June 2022, being the five year anniversary of the commencement of the Fund, an investor update was held. At this meeting, management recommended that the property be held, allowing for the near-term lease expiries to be resolved. We are pleased to report that one of the major tenants (Toll Transport/1,221sqm/18.7% NLA) has been extended for a further five years, however CostCo (1,383sqm/21% by NLA) vacated in early 2024.

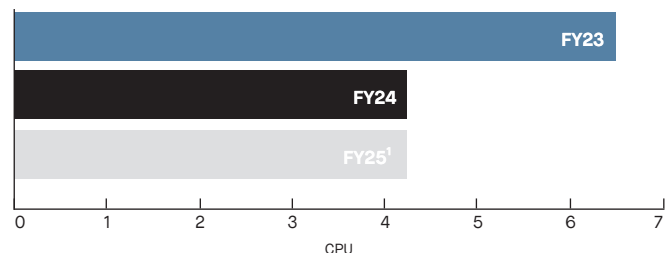
Whilst the Fund has no explicit Fund term or voting threshold required to wind up or extend the Fund term, management will closely monitor market conditions and is likely to convene a further investor briefing, to seek feedback from investors, during the first half of the 2025 calendar year.

### Financial snapshot

<b>Fund commencement date</b>	11 May 2017
<b>Net asset backing</b>	\$0.80 <sup>1</sup>
<b>Distribution rate (cents per unit)</b>	4.25 <sup>2</sup>
<b>Weighted average lease expiry (WALE) (years)</b>	1.98 <sup>3</sup>
<b>Next investor vote on term of Fund</b>	11 May 2025

### Distribution details

#### ANNUALISED DISTRIBUTION



1. FY25 Forecast.

The Fund benefits from an all-in interest rate of 2.37% until August 2025, and therefore the prevailing interest rate environment does not impact the FY25 Fund cashflows. The forecast distribution rate for the first half of the 2025 financial year is forecast to remain at 4.25 cents per unit (annualised) based on the current occupancy level at the property.

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

2. September 2024 quarter, annualised.

3. As at 30 June 2024.

The distribution rate for the second half of the 2025 financial year will be a function of leasing traction on level 2 and part level 5 (~25% of the net lettable area). Both of these tenancies have been fully refurbished to a high standard and are complemented by the now completed rooftop works. Should leasing success be achieved during FY25, further correspondence will be issued and the distribution rate will be reviewed.

This FY25 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 obligations. The actual distributions may differ from the forecast figures.

## Property details

### ASSET VALUES

Property address	8 Australia Avenue, SOP, NSW
Purchase price (Jun 17)	\$44.8m
Previous valuation (Dec 23)	\$48.5m
Current valuation (Jun 24)	\$45.0m
Cap rate (Jun 24)	7.00%
Valuer	Urbis

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)

Western Sydney University Lease expires 31 Oct 2026	37.2%
Toll Transport Lease expires 28 Feb 2029	18.7%
Bluewealth Property Lease expires 31 Mar 2027	7.5%
Simplot Australia Lease expires 30 Jun 2025	5.4%
Lending Connect Lease expires 17 Oct 2027	2.6%

## Property statistics

	INITIAL <sup>1</sup>	DEC-23	JUN-24
Net asset Bbacking	\$0.90	\$0.94	\$0.80
Property occupancy rate	88%	79%	79%
Weighted average lease expiry (WALE) (years)	3.53	2.37	1.98

1. Based on the Investment Memorandum/30 June 2017 Financial Accounts

2. As at 30 June 2024.

3. The Fund's debt is structured as a fixed all-in price until 18 August 2025, and the Fund is not impacted by a movement in interest rates.

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 (30 June 2024).

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## Market overview

- No sales transactions above \$5.0m were recorded in the market over this quarter.
- SOP/Rhodes prime yields softened by 63bps on the upper and 75bps on the lower end to now range between 7.13% - 8.25%, as at June 2024.
- The Sydney Metro West project is currently at the excavation stage and will connect the Western Sydney region (from Westmead) to the Sydney CBD. As a part of the Sydney Olympic Park Metro station, two towers including 30,440 sqm of office space are earmarked with the project anticipated to be completed in late 2030.
- While the Sydney Metro West will reduce travel time between Parramatta, Sydney Olympic Park, and the Sydney CBD, the second phase of the Parramatta Light Rail will also improve the connectivity between Parramatta and Sydney Olympic Park, including 15 stops from Camellia to Olympic Park. The second stage of the Light Rail will also connect to the Sydney Metro West and ferry services at Rydalmere and Olympic Park. This will assist in the flow of workers and residents between both precincts.

Source: JLL Research Q2 2024

## Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$23.0m <sup>2</sup>	
Undrawn amount	\$2.44m <sup>2</sup>	
Loan expiry	18 Aug 2025	
% of debt hedged	100% <sup>3</sup>	
Loan to value ratio (LVR)	45.7% <sup>4</sup>	55.0%
Interest cover ratio (ICR)	4.77 <sup>5</sup>	2.00

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](mailto:Property.Enquiry@CenturiaInvestor.com.au).