

Centuria

Fund Update September 2024 Centuria Sandgate Road Fund

(ARSN 618 152 702)

Key points

- As at 30 June 2024, the Net Asset Backing of the Fund is \$0.74 per unit.
- Forecast distributions for FY25 confirmed at 4.50 cents per unit (annualised).
- The Brisbane Near City vacancy rate has reduced from 14.8% to 11.4% over the past 12 months.

Fund summary

Distributions for the **Centuria Sandgate Road Fund** (Fund) continued to be paid at 4.50 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.

As outlined within recent correspondence and following the unitholder vote held in July 2024, the Fund's only asset located at 1231-1241 Sandgate Road, Nundah QLD has been placed on the market for sale via an expressions of interest campaign that closes on 24 October 2024. After the conclusion of this process, we will write to investors to provide an update on the outcome and the strategy moving forward.

Market overview

- Leasing activity in the Brisbane Near City office market has resulted in positive net absorption of 18,620 sqm during the June 2024 quarter, which has reduced the vacancy rate significantly over the past 12 months from 14.8% to 11.4%.
- As a result, prime net effective rents have increased by 5.85% during Q2 2024 and by 14.3% from June 2023.
- However, office demand is likely to stabilise during 2025 following a year of elevated activity, particularly from government departments given the impending state election in late October.
- From a capital markets perspective, prime yields softened a further 25 basis points to now range between 6.50% to 8.25%. Nonetheless, further clarity surrounding interest rates in 2025 could allow for an increase in capital availability towards the commercial office market, which is expected to positively impact yields.

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 \$0.77 (as at 31 December 2023) to \$0.74 (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 7.00%.

1. Based on the most recent audited accounts as at 30 June 2024.
2. September 2024 quarter, annualised.
3. As at 30 June 2024.



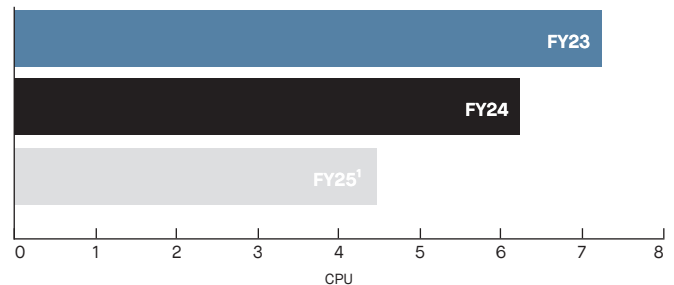
However, the change was partially offset by a 3.3% increase in market rents due to recent leasing transactions completed within the building and the Brisbane Near City office market.

Financial snapshot

Fund commencement date	7 July 2017
Net asset backing	\$0.74 ¹
Distribution rate (cents per unit)	4.50 ²
Weighted average lease expiry (WALE) (years)	4.0 ³

Distribution details

ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate of 4.50 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.

Property details

ASSET VALUES	
Property address	1231-1241 Sandgate Road, Nundah QLD
Purchase price (Jul 17)	\$106.3m
Previous valuation – Independent (Dec 23)	\$99.5m
Current valuation (Jun 24)	\$97.0m
Cap rate (Jun 24)	7.00%
Valuer	Directors'

The property was subject to a Directors' 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)

Energex Lease expires 14 Nov 2027	55%
Go Health Clubs Lease expires 6 Dec 2032	16%
Queensland Police Services Lease expires 31 Jul 2029	13%
State of Queensland (Dept. of Education) Lease expires 31 Dec 2027	11%
Sushi Edo Lease expires 2 Apr 2026	1%

As outlined previously, Energex is highly likely to vacate the five floors (levels 3 to 7) it occupies at expiry and consolidate the business within its Newstead location. Therefore, we are continuing with the strategy of backfilling the space prior to expiry in November 2027 and we are pleased to report that a five-year lease from 1 August 2024 has been executed over level 6 (1,653 sqm) and we are close to agreeing terms for a 10-year lease over level 3 (2,150 sqm) as well. This is a great outcome for investors, and we look forward to providing further updates as things progress.

Property statistics

	INITIAL ¹	DEC-23	JUN-24
Net asset backing	\$0.90	\$0.77	\$0.74
Property occupancy rate	100%	98%	98%
Weighted average lease expiry (WALE) (years)	9.4	4.6	4.0

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$48.3m	
Undrawn amount	\$0.50m ²	
Loan expiry	30-Jun-25	
% of debt hedged	Nil	
Loan to value ratio (LVR)	48.1% ³	57.5%
Interest cover ratio (ICR)	3.2 ⁴	2.0

The debt facility has been extended by 12 months due to the ongoing sale process and given the short-term nature of the extension, the drawn debt remains fully floating (in addition to the bank margin of 1.60% 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.

- Based on the Product Disclosure Statement dated 7 April 2017.
- As at 31 August 2024.
- 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 as at 30 June 2024.

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