

Centuria

Quarterly Fund Update
December 2024

Centuria Healthcare Property Fund

(ARSN 638 821 360 APIR CTR0438AU)

Key Points

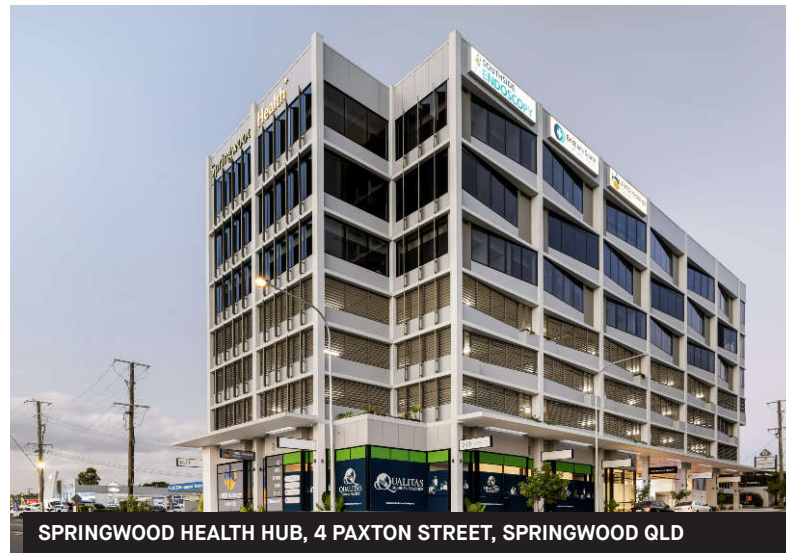
- Property portfolio underpinned by occupancy of 95.0%¹ and a long WALE of 9.5 years.
- Fund continues to execute on the sale strategy with the successful divestment of Petersham during the December 2024 quarter.
- The Manager has facilitated redemptions in line with the PDS at 0.5% of Fund's NAV for the December 2024 quarter.
- December 2024 quarterly valuation cycle has been completed, with marginal softening in cap rate from 5.60% to 5.68%.
- The Manager continues to execute the debt strategy following the recent facility limit reduction and term extension. Verbal agreement received from majority of lenders to amend loan covenants for LVR to 60% and ICR to 1.5x.

Fund Summary

The Fund's strategy is to build and manage a portfolio of high-quality healthcare assets leveraging affordable healthcare services to deliver resilient returns to investors. Since inception of the Fund, the Manager has enhanced portfolio quality, increased the WALE, and improved tenant diversification.

The Fund is currently invested in day and short stay hospitals (42%), medical centres (23%), mental health (10%), specialist centres and life science (25%) properties. The Fund's strategy is to invest in properties that are underpinned by healthcare operators that focus on affordable models of care.

While no sector of the Australian commercial property market has been immune to challenging conditions, the outlook for the healthcare property market remains positive due to the pent up and rising demand for healthcare services within Australia. This is driven by Australia's growing and ageing population and an increase in chronic health conditions. Within the coming 40 years, the over-65 population is expected to double, while the over-80 population is projected to triple². This demographic shift is also coupled with a significant rise in chronic conditions where an estimated 80% of Australians aged 65 and over are expected to have one or more chronic diseases³. We anticipate this to continue to drive and increase in demand for primary



SPRINGWOOD HEALTH HUB, 4 PAXTON STREET, SPRINGWOOD QLD

healthcare services and also the need for new and innovative healthcare facilities.

	INCEPTION ⁴	2024 PORTFOLIO ⁵
WALE	6.7 years	9.5 years ⁶
Tenant diversification	48 tenants	76 tenants
Largest single tenant exposure	32%	13%
Average portfolio age	7.0 years	6.6 years ⁷

As the Fund Manager, Centuria has provided, and continues to provide, proactive capital management to the benefit of unitholders. The fund management team is focused on stabilising the portfolio and working through the Weststate development to improve the Fund's performance.

Execution of Divestment Strategy

The Fund continues to proactively execute the divestment strategy for properties where the near-term value has been maximised, with no further near-term outstanding asset management initiatives. During the financial year ending 30 June 2024, the Fund completed 8 sale transactions for a combined value of \$51.4 million⁸.

The fund continues this momentum into FY25 with the successful divestment of Petersham during the quarter ending 31 December 2024. The due diligence process to divest Cairns Day Surgery continues and further updates will be provided to investors on the outcome.

As the fund divest properties, part of the sale proceeds based on the prevailing LVR% is used to repay debt to manage gearing.

- Includes rental guarantees. As at 31 December 2024, based on current as-if complete value. The lease term for Weststate Private Hospital is included in the occupancy and WALE calculation. The occupancy and WALE excluding Weststate is 94.5% and 7.6 years respectively.
- Source: Intergenerational Report 2023, Commonwealth of Australia (Aug-23)
- Source: Australian Institute of Health and Welfare
- Inception date is 21 September 2020. Past performance is not a reliable indicator of future performance.
- Data as at 31 December 2024.
- Includes rental guarantees. As at 31 December 2024, based on current as-if complete value. The lease term for Weststate Private Hospital is included in the WALE calculation.
- Current portfolio weighted by value. Includes refurbishments and Weststate Private Hospital on an "as if complete" basis.
- Calculated by net sale price and on a 100% interest basis for 8-10 Warneford Street, Hobart and 24 Sundew Rise, Joondalup WA.

Portfolio Leasing Traction

During the quarter ending 31 December 2024, the Fund completed the below leasing deals.

PROPERTY	TENANT	AREA	TERM	STARTING RENT
Varsity Lakes	Queensland Health	591 sqm	3 years	\$562 psqm
Orange	Total Health Evaluation Lab	335 sqm	5 years	\$505 psqm
Sunbury	Serene Psychological Services	137 sqm	3 years	\$464 psqm
Sunbury	Coco Rouge	31 sqm	3 years	\$707 psqm
Sunbury	Sunburn Psych	76 sqm	1 year	\$1,250 psqm

At Orange, a new 5 year lease at Bloomfield Medical Centre (Orange) has been agreed with Total Health Evaluation Lab over 335 sqm increasing the occupancy for the property from 77% to 81%. Leasing efforts at Orange continue, with two separate agents (local and national) appointed and actively marketing the space for lease. The proposed strategy for the remaining space is to sub divide the space to target single or multiple tenants as we get more leasing traction for the floor.

At Vermont South, discussions with several interested parties to take up the remaining space continue, including a skin cancer clinic, orthotics/prosthetics centre and osteopath consulting.

During the year ending 31 December 2024, the tenant retention percentage % was 98.6%.¹ With the escalation of construction costs, the economic rent for healthcare properties continue to increase. And this is likely to make the tenants a lot stickier, resulting in a higher tenant retention %.

The Manager continues to drive leasing outcomes across the portfolio, reducing downtime risk and improving occupancy and WALE.

Fund Liquidity Facility and Redemptions

The Fund currently holds a portfolio of predominantly direct and indirect real property and a smaller holding in liquid assets. The liquid assets provide liquidity to the Fund that are utilised to offer Investors a limited quarterly withdrawal facility. To bolster the Fund's balance sheet during FY25, the Manager has revised the quarterly redemption mechanism in line with the PDS, at 0.5% of the Fund's NAV, from quarter ending 30 June 2024.

As set out in the Fund's PDS, the Manager determines the amount available to satisfy withdrawal requests in a quarter under the Fund's Limited Quarterly Withdrawal Facility on the day before withdrawals for that quarter are processed. The Manager has determined that the amount available to satisfy withdrawal requests for the December 2024 quarter under the Fund's Limited Quarterly Withdrawal Facility is \$1.25 million.

As disclosed in the Fund's Product Disclosure Statement, when withdrawal requests exceed the available liquidity, the Manager will scale back requests on a pro rata basis. All redemption requests for the December 2024 quarter have been scaled proportionately. Further information regarding the scale back is available on the Fund's continuous disclosure website.

Any withdrawal requests submitted during a quarter which are not satisfied, either in whole or in part, automatically roll over to the following quarter, unless the Investor requests otherwise or the Manager suspends withdrawals. Any withdrawal requests rolled over to the next quarter do not have priority, but form part of the pool of new withdrawal requests for that next quarter.

Due to the prevailing market conditions, the Fund has received increased levels of redemption requests, which is a common occurrence within the property funds sector.

Current redemption levels sit at ~\$45.0m or ~18% of the net asset value, this means that the majority of investors are not requesting the realisation of their investment in the Fund. Prior to March 2023, the Fund satisfied all redemption requests. Since inception, more than \$24 million of redemptions have been facilitated to date.

In addition to the limited quarterly withdrawal facility, the Fund has a rolling five-year investment term, with a liquidity event at the end of each term – next due in August 2025. This is in line with the recommended investment timeframe as outlined in the Fund's Target Market Determination.

Centuria Co-investment

The recommended investment timeframe within the Fund is five years and we maintain confidence in the long-term view for commercial property. Centuria is highly aligned with investors in the Fund, being one of the Fund's largest unitholders, with approximately 14% of the units on issue (\$38.2 million) held by related party entities. In addition, Centuria owns redeemable preference units valued at \$28.6 million within the Fund.

As we go through this property cycle, Centuria is pleased to be able to co-invest alongside our Investors.

Weststate Private Hospital Update

The Fund holds an investment in the development of Weststate Private Hospital, a short stay hospital. Pursuant to an Agreement for Lease between WPHL and the Fund Manager, upon completion of the development the incoming sole tenant will be Weststate Private Hospital Limited (WPHL), on a lease term of 25 years and with 100% contracted occupancy. The Fund's investment forms a fund-through project developed by Lautaret Pty Ltd. WPHL has issued proceedings against the Manager alleging claims under the Australian Consumer Law and alleging certain building works in respect of the hospital do not comply with the Agreement for Lease (both in terms of what is required and who is responsible for the cost). WPHL seeks relief including a declaration that the Agreement for Lease has been repudiated by the Fund Manager, a declaration that the Agreement for Lease is not valid or enforceable or an order avoiding the Agreement for Lease. WPHL claims damages in the proceedings (being alleged lost profits and costs incurred by it to date). WPHL also claims interest and costs. The proceedings are being defended.

The dispute with WPHL is currently the subject of court proceedings. The Manager has allowed a provision in the Fund's unit price (and in valuation) in relation to possible cost overruns and legal costs that are estimated to be incurred in defending the WPHL litigation. This provision will continue to be considered, and revised if required, as matters progress.

At a Court Review on 29 January 2025, the Court made orders in respect of the filing of material relevant to interlocutory applications and other interlocutory steps. The next review is scheduled for 21 February 2025, at which time it is anticipated that the interlocutory applications will be set down for hearing at a date to be determined by the Court.

1. Tenant retention % is calculated based on total NLA of lease expiries during the 12 months ending 31 December 2024.

Financial Snapshot

Fund commencement date	8 October 2019
Unit price	\$0.7432 ¹
Target distribution rate (cents per unit) for December quarter 2024 (annualised)	3.0 ²
Weighted Average Lease Expiry (WALE) by income (years)	9.5 ³
Next investor vote on term of Fund	August 2025

Fund Performance Breakdown

The table below summarises the Fund's performance since inception⁴. Unfortunately, due to current market conditions the property sector has experienced headwinds, negatively impacting the near-term capital returns of the Fund.

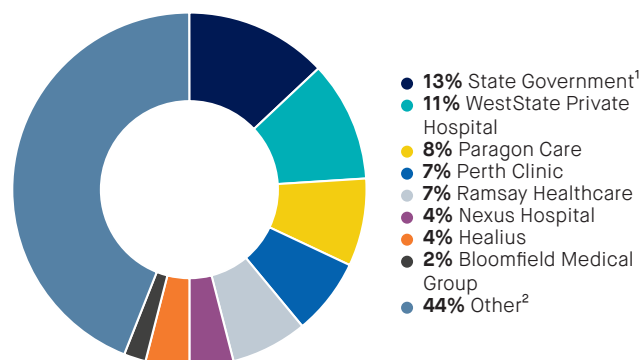
The December 2024 quarterly valuation cycle has been recently completed reflecting minor cap rate softening 5.60% to 5.68%. This resulted in unit price impact of 1.64 cents per unit to \$0.7342 per unit (ex div). The December 2024 valuation movements are highlighted in the Property Details section.

AS AT 31 DECEMBER 2024	6 MTH (%)	1 YR (%)	SINCE INCEPTION ⁵ % P.A. ⁶
Distribution	1.87	4.01	4.57
Capital growth	-8.55	-19.41	-7.01
Total return	-6.68	-15.40	-2.44

Portfolio Statistics

	DEC 23	MAR 24	JUN 24	SEP 24	DEC 24
Portfolio occupancy	94.6%	94.5%	94.4%	94.6%	95.0% ⁷
Weighted average lease expiry (WALE) by income (years)	10.0	9.9	9.9	9.6	9.5 ⁷
Portfolio valuation (at ownership)(\$mil)	602.2	597.7	555.9	547.0	533.9 ⁸

Top Tenants by Gross Passing Income⁹



1. Includes Mid North Coast Local Health District at Coffs Harbour Medical Centre, NSW, Peninsula Health at Frankston, VIC, and Queensland Health at Varsity Lakes, QLD.

2. Includes rental guarantees.

Debt Summary

The table below summarises terms for the existing facility agreements with four lenders.

- Facilities due to expire in 2024 have been extended maintaining the Fund's weighted average loan expiry at 1.7 years.
- The facility limit has been reduced to \$285 million from \$330 million post the recent divestments of properties, saving on debt cost (line fees) for the Fund.
- The Manager continues to execute the debt strategy following the recent facility limit reduction and term extension. Verbal agreement received from majority of lenders to amend loan covenants for LVR to 60% and ICR to 1.5x.

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$285.0m ⁹	
Undrawn amount	\$24.7m ⁹	
Weighted average loan expiry	1.7 years ⁹	
% of debt hedged	54% ⁹	
Loan to value ratio (LVR)	49.9% ¹⁰	55.0%
Interest cover ratio (ICR)	2.0 ¹¹	2.0x

1. Ex-div price as at 31 December 2024.

2. The target distribution rate is not a forecast, is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of Centuria Property Funds No. 2 Limited, as responsible entity of the Fund. These assumptions include that all tenants will satisfy their contractual obligations under their respective leases within a timely manner, there are no significant unforeseen capital costs or material changes to the Fund's financial obligations, pipeline properties will be acquired by the Fund at current valuations and that funding will be secured at a particular interest rate. Actual returns may differ from the target return. Centuria Property Funds No. 2 Limited does not guarantee the performance of the Fund, the repayment of capital or any income or capital return. Past performance is not a reliable indicator of future performance. In addition, given the current volatility in interest rate forecasts, this assumption may need to be reviewed. Should interest rates differ from forecast levels, distributions may be revised.

3. Includes rental guarantees. As at 31 December 2024, based on current as-if complete value. The lease term for Weststate Private Hospital is included in the WALE calculation.

4. Performance is shown for informational purposes only. Past performance is not a reliable indicator of future performance. Performance fees may affect total return performance.

5. Inception date is 21 September 2020.

6. Returns are annualised.

7. As at 31 December 2024, based on current as-if complete value. Includes rental guarantees. The lease term for Weststate Private Hospital is included in the WALE and occupancy calculation.

8. Based on CHFP's portfolio on an "as-if complete" basis as at 30 September 2024. CHFP has an 85% direct interest in Bloomfield Medical Centre and Vermont South Medical Centre with the remaining 15% owned by Nexus Property Unit Trust (NPUT) however CHFP is a majority shareholder of NPUT. Valuation of 8 Elizabeth MacArthur Drive, Bella Vista, NSW is based on 59.5% direct effective ownership held by CHFP. Also includes Weststate Private Hospital, West End, QLD on an "As If Complete" valuation of \$68.0 million.

9. As at 31 December 2024.

10. Based on independent and director valuations as at 31 December 2024. The LVR calculation attributes 100% of the property value of The Bond in denominator. Notwithstanding, the Fund owns 59.5% effective ownership of The Bond. The Fund's look through gearing is 48.5%.

11. ICR is based on Net Rental Income over Interest Expense as at the most recent covenant testing period (31 December 2024).

Property Details

PROPERTY	PROPERTY VALUE ¹ (\$M)	CAP RATE ¹	DIRECT OWNERSHIP % ¹	OWNERSHIP VALUE (\$M) ¹	WALE (BY INCOME) – YEARS ^{1,2}	OCCUPANCY ^{1,2}
Vermont South Medical Centre, VIC ³	67.3	5.38%	85%	57.2	6.7	90%
Bloomfield Medical Centre, NSW ³	53.3	6.00%	85%	45.3	8.3	81%
Cairns Day Surgery, QLD	20.4	6.25%	100%	20.4	5.1	100%
Coffs Harbour Medical Centre, NSW	25.0	6.00%	100%	25.0	2.0	100%
Perth Clinic, West Perth, WA	41.0	6.00%	100%	41.0	11.1	100%
411 Nepean Highway, Frankston VIC	11.4	5.63%	100%	11.4	4.4	100%
Weststate Private Hospital, West End QLD ⁴	36.5	5.50%	100%	38.9	25.0	100%
38-44 Gap Road, Sunbury VIC	25.8	5.63%	100%	25.8	4.8	94%
77-97 Ricketts, Mt Waverley VIC	41.8	5.50%	100%	41.8	11.8	100%
2 Lake Street, Varsity Lakes QLD	63.5	5.75%	100%	63.5	4.7	87%
West Medical Hub, West Lakes SA	13.2	6.25%	100%	13.2	4.1	96%
299 Scottsdale Drive, Robina QLD	25.8	5.50%	100%	25.8	9.8	100%
168 Corfield Street, Gosnells WA	9.1	6.50%	100%	9.1	4.0	100%
60B Kingsvale Road, Myocum NSW	8.0	6.13%	100%	8.0	17.6	100%
Springwood Health Hub	33.0	5.25%	100%	33.0	10.6	100%
The Bond, 8 Elizabeth MacArthur Dr, Bella Vista NSW ⁵	64.5	5.38%	60%	38.4	7.4	100%
Indirect Properties – Investment in NPUT ³				7.3		
Current Portfolio – Excluding Weststate	502.9	5.69%		458.7	7.6	95%
Current Portfolio – As Is Valuation	539.4	5.68%		497.6	9.5	95%
Current Portfolio – As If Complete	570.9			533.9		

- Real estate valuations have been impacted by the increase in RBA cash rate to 4.35% from 0.1%, since May 2022. As the cash rates increase, property yields also increase, which can negatively impact a property's valuation. Increasing property yields are also referred to as 'softening capitalisation rates. Capitalisation rates reflect the yield a purchaser (or an investor) is willing to accept for a property.
- During the December 2024 valuation cycle, the cap rate of the portfolio softened from 5.60% to 5.68%. The impact of cap rate expansion was partially offset by increase in passing rental income (1.7% increase over 3 months). Cap rate indicated a reduction in total softening towards the end of 2024, with an 8 basis points (bps) softening between September to December. In comparison to 15 bps between June to September and 19 bps between March and June.
- The following is a breakdown of the key property revaluation movements across the portfolio:
 - Orange - Valuation reduced by \$1.7m (-3.9%) to \$45.3m (at 85% ownership), driven by cap rate softening to 6.00% from 5.75% and revisions to let up assumptions for vacancies and imminent expiries.
 - West Perth - Valuation reduced by \$1.7m (-3.9%) to \$41.0m, driven by cap rate softening to 6.00% from 5.75% in line with weaker sales evidence in the WA market.
 - Varsity Lakes - Valuation reduced by \$0.8m (-1.2%) to \$63.5m, driven by cap rate softening to 5.75% from 5.63% which was partially offset by an increase in passing rents over the December 24 quarter.
 - Robina - Valuation reduced by \$0.5m (-1.9%) to \$25.8m, driven by cap rate softening to 5.50% from 5.38% which was partially offset by an increase in passing rents over the December 24 quarter.
 - West Lakes - Valuation reduced by \$0.5m (-3.6%) to \$13.2m, driven by cap rate softening to 5.50% from 5.38% and an increase in assessed land tax (non-recoverable), which were partially offset by an increase in passing rents over the December 24 quarter.
- As outlined in earlier continuous disclosure updates, the Fund estimates possibly incurring additional costs relating to the Fund's investment in the development of Weststate Private Hospital. The Fund conducts regular valuations of the property portfolio for the purposes of unit pricing. In line with the Fund's policies, the 31 December 2024 valuation includes estimated costs adjustments relating to the dispute between the incoming tenant (Weststate Private Hospital Limited) and the Fund.

1. As at 31 December 2024.

2. Includes rental guarantees. As at 31 December 2024, based on current as-if complete value. The lease term for Weststate Private Hospital is included in the WALE and occupancy calculation. The occupancy and WALE excluding Weststate is 94.5% and 7.6 years respectively.

3. The Fund also has an indirect interest in the Nexus anchored properties via Nexus Property Unit Trust (NPUT). NPUT currently owns a 15% interest in Vermont South Medical Centre and Bloomfield Medical Centre however CHPF is the majority shareholder of NPUT.

4. This property is currently under construction. Property value reflects the "As Is" valuation. The "As If Complete" value is \$68.0 million for Weststate Private Hospital, West End, QLD.

5. Adopted valuation reflected at 59.5% direct ownership by CHPF, the balance is held by Centuria Capital Limited. Ownership may be reported on a consolidated basis at 100% in the financial accounts.

Continuous Disclosure Website

The Fund's continuous disclosure website can be found in the Investor Centre section of the Fund's website <https://centuria.com.au/healthcare-property-fund/investor-centre/>. These continuous disclosures are updated regularly and include important information relating to the Fund, including details on the operation of the quarterly liquidity facilities and distributions.

Access all information relating to your Centuria investments at centuriainvestor.com.au.

RG46 Statements

The latest RG46 Statement for the Fund is available at [CenturiaInvestor.com.au](https://centuriainvestor.com.au). It includes the following key information:

- Gearing ratio, calculated using ASIC methodology
- Gearing covenant sensitivities
- Detail of related party transactions in the period
- Further information on the source of distributions.

Centuria Investor Website

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.

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