

Centuria

Fund Update September 2023 267 St Georges Terrace Trust

Key points

- FY2024 distributions increased to 6.00 cents per unit (annualised).
- The property is 63% occupied with a Weighted Average Lease Expiry (WALE) of approximately 2.52 years.
- There is a Fund term expiry in November 2023, Management to seek an extension of term in an endeavour to realise a sale when market conditions allow.

Fund summary

Distributions for the **267 St Georges Terrace Trust** ('**267 SGT**') increased to 6.00 cents per unit (annualised) for FY2024, above FY2023 of 5.36 cents per unit (annualised). Distribution statements can be accessed from our online investor portal at centuriainvestor.com.au.

As previously advised, the fund term was extended to November 2023. Management is now able to determine a further fund term extension will be required.

As previously communicated, post sales campaign it was determined prudent to subdivide the neighbouring properties (251, 253 and 255 SGT), so each building has its own title. It is expected this will improve the depth of the buyer pool by enabling the option for a buyer to purchase the buildings individually or in one line.

The extended term will allow Management to address the subdivision process while also continuing proactive asset management to improve the leasing profile of the property. In particular, the Channel 9 leases which make up 1,486sqm or 42.4% by NLA of the property. At present, there is no indication that depth of demand has materially improved, thus reevaluating the sales campaign is not currently warranted by Management.

Throughout the year, there was a proactive effort to market the vacant accommodations for lease and to communicate with current tenants regarding lease renewals. Cushman & Wakefield (formerly Sheffield) has formally requested an extension until June 30, 2024, and this extension has been approved by Channel 9, which has shown interest in this area. Additionally, the current tenant Buy Sell Move (BSM), occupying 128sqm (or 3.7% NLA), has indicated a potential need for expansion space. Ongoing discussions with BSM will be maintained to address their requirements (with the current lease set to expire in May 2025).

Currently, the occupancy rate at 267 St Georges Terrace stands at 63%, and the remaining vacancies are on Level 3, along with an existing fitout on Level 2. The strategy for Level 3 involves dividing the floor into three separate suites and completing speculative fitouts for these suites by the end of the year.



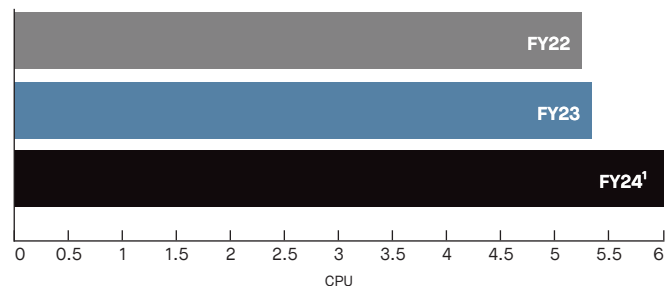
Financial snapshot

Fund commencement date	31 July 2012
Net Asset Backing	1.32 ¹
Distribution rate (cents per unit)	6.00 ²
Weighted average lease expiry (WALE) (years) by Income	2.52 ³
Fund Term Expiry	14 November 2023

Please note that from 30 June 2023, the methodology for calculating Net Asset Backing has been updated to include a liability, where applicable, for the estimated future performance fees payable by the Fund, where the IRR hurdle has been met, and exceeds the minimum sales fee.

Distribution details

ANNUALISED DISTRIBUTION



1. Forecast (annualised).

Management is pleased to confirm the distribution rate has increased to 6.00 cents per unit (annualised) for FY2024 from 5.36 cents per unit (annualised) in FY2023.

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 obligations.

Should there be any material departures from this forecast, an out of cycle investor update will be provided.

1. Net Asset Backing = Net Assets divided by the number of Units on Issue. For investment structures where the Units on Issue are not reflective of the dollar value of investments (i.e. Syndicates), Net Assets are divided by the original investor equity contribution in dollar terms. Net Assets are adopted from Balance Sheets as at 30 June 2023.

2. September 2023 quarter annualised.

3. As at 30 September 2023.

Property details

ASSET VALUES	
Property address	267 St Georges Terrace, Perth, WA
Purchase price (Jul 12)	\$21.35m ¹
Previous valuation (Feb 23)	\$27.53m
Current valuation (Jun 23)	\$27.40m
Cap rate (Jun 23)	7.00%
Valuer	Director

The key metrics of the 30 June 2023 valuation are outlined in the table above. This valuation was conducted internally for reporting purposes.

The valuation shows a 0.5% decline primarily due to a reduction in the cap rate by 25 basis points. However, this decrease was mostly balanced out by an uptick in market rents, rising from \$581 to \$589.

Unfortunately, elevated debt costs, attractive bond yields, term deposit rates and a challenging office sector are all currently having an impact on capital values. Despite these tough market conditions, we maintain confidence in the resilience of quality and strategically positioned commercial real estate, such as 267 St Georges Terrace.

Top five tenants by net lettable area (NLA)

Nine Network Australia Lease expires 18 Aug 2028	42.4%
Cushman and Wakefield Lease expires 31 Oct 2023	7.3%
Vulcan Energy Resources Limited Lease expires 31 Oct 2024	6.7%
BSM Global Pty Ltd Lease expires 31 May 2025	3.7%
Napier & Blakeley Pty Ltd Lease expires 28 Feb 2026	2.5%

Property statistics

	SEP-23
Property occupancy rate	63%
Weighted average lease expiry (WALE) (years) by Income	2.52

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$14.10m ²	
Undrawn amount	– ²	
Loan expiry	30 Sep. 2024	
% of debt hedged	100.0% ³	
Loan to value ratio (LVR)	51.5% ⁴	60.0%

The Fund’s facility was due for renewal in April 2023, Management has negotiated a facility extension out to 30 September 2024. All other terms are to remain the same. The term length is a reflection of the fund term expiry.

As at 30 September 2023, the cash rate stood at 4.10%. The Fund’s debt facility has hedged 100% of its drawn debt at a rate of 0.45% (in addition to the bank margin of 1.60%), resulting in a significant 3.65% advantage for the debt facility. This hedge safeguards against any adverse interest rate movements until it matures in November 2025.

Management have engaged with the Fund’s financier who are supportive of the Fund’s strategy.

Centuria investor website

You can access all information relating to your Centuria investments at centuriainvestor.com.au.

Contact details

If you have any questions about your Fund Update, please contact the WA Centuria Investor Services team; Anthony Hewett or Jason Battaglia by calling **(08) 9321 7133** or emailing contactus@centuria.com.au.

1. Acquisition price excludes purchaser on costs.
2. As at 30 September 2023.
3. As at 30 September 2023, 100% of the Trust’s drawn debt is hedged until 25 November 2025.
4. The LVR is as at 30 September 2023 and based on the most recent independent valuation as defined under the debt facility agreement.

Disclaimer: Issued by Centuria Property Funds No.4 Ltd., ABN 97 134 321 216, holder of AFSL 339074. The information in this document is general information only and does not take into account your personal financial circumstances, needs or objectives. We recommend you speak with your financial and/or taxation advisor before making any decisions in relation to your investment.