

17 July 2021

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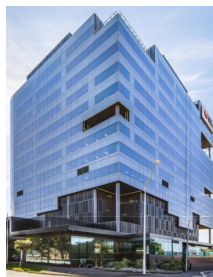
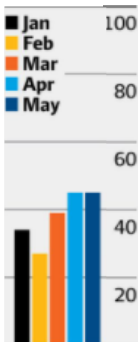
### Forecasts FY22 FY23 FY24 FY25

	FY22	FY23	FY24	FY25
Yield (%)	5.25	5.35	5.40	5.45
Tax Deferral	100	100	100	90

### Issue overview

Estimated Offer Size	\$133.0m
Purchase Price	\$223.7m
Gearing (initial)	49%
Security Price	\$1.00
Initial NTA	\$0.87
Yield (FY22e annualised)	5.25%
Tax Deferral (FY22e-24e)	100%
WALE (w.avg lease expiry)	11.8 years
Fixed Rent Increases	3.50%
Occupancy	100%
NLA (Net Lettable Area)	20,191sqm
Fees:	
Management (% gross assets)	0.6%
Acquisition (% purchase price)	2.0%
Disposal (% sale price)	1.0%
Performance (>8% IRR)	20.0%

### Attendance Centuria Footscray



## Prime Victorian Government office building in Footscray

Unlisted cornerstone offer seeking to raise \$133m, paying monthly income. Key features:

- 91% of income underpinned by Victorian Government / state-owned entities:** State Government tenants The Department of Treasury and Finance, State Trustees and City West Water, all with 3.5% fixed rent increases and lease 2034 lease expiries. Office demand underpinned by the increase in Victoria's public sector wage and super bill from \$20.7bn in FY14 to a forecast \$35.9bn in FY22.
- Attractive Initial Yield of 5.25%, 100% Tax Deferral forecast until at least FY24:** Settlement 28 July 2021, FY22 yield annualised, first monthly distribution 10 Oct 2021.
- Located next to Footscray station, 6km west of Southern Cross station:** Completed in 2014, One McNab Avenue forms part of one the State Government's suburban hubs, allowing public servants to work closer to home. Footscray provides access to fast regional train services from Geelong (50 minutes), Ballarat (70 minutes) and Bendigo (97 minutes). Other infrastructure projects to benefit Footscray include \$4bn Geelong Fast Rail (stage 1 to commence 2023), \$11bn Melbourne Metro Tunnel (2025/2026), \$1.8bn Westerns Roads upgrade (complete), \$10bn Melbourne Airport Rail (2029), \$1.5bn New Footscray Hospital (2025).
- 33% lower prime rents in Footscray (\$475 sqm) vs Melbourne CBD (\$708 sqm):** While we are cautious on exposure to CBD office with only ~40% attendance from the structural shift to Work From Home, we see the potential for the gap to prime suburban rents to narrow, particularly as CBD tenants look to downsize / sublease.
- Both Centuria LPTs increased June 2020 distributions: >50% LPTs cut/suspended**

Trust	APN	Waypoint	Charter Hall	Centuria	Centuria	Arena	Bunnings	Dexus	APN	Goodman	ALE	GDI
	Convenience	Long WALE		Office	Industrial				Industria			
Code	AQR	WPR	CLW	COF	CIP	ARF	BWP	DXS	ADI	GMG	LEP	GDI
Sector	Retail	Retail	Diversified	Office	Industrial	Childcare	Retail	Office	Industrial	Industrial	Pubs	Office
Jun19	10.5	7.2	14.0	8.7	9.2	6.8	9.2	23.0	8.5	15.0	10.5	3.9
Jun20	10.9	7.4	14.3	8.9	9.4	6.9	9.3	23.2	8.5	15.0	10.5	3.9
Chg	4.31%	3.20%	2.14%	2.11%	1.63%	1.48%	0.98%	0.87%	0.29%	0.00%	0.00%	0.00%

- Initial fund term 5 years:** The Fund is an illiquid investment with no redemption facility available. At the end of the initial 5 years, investors will be asked to vote on the future strategy of the Fund (i.e. disposal / extension). A 2 year extension will require 50% of votes in favour. Fund extension beyond 7 years requires 100% of votes in favour.
- Risks:**
  - No liquidity event before year 5:** Returns may be impacted if property disposal coincides with a downturn in commercial property markets. In addition, the structural shift to work from home may put downward pressure on office rents and valuations.
  - 49% Gearing:** Higher than most LPTs. A decline in the property valuation could place pressure on the 60% gearing covenant.
  - Impact of Fees:** NTA reduces to \$0.87 from \$12.3m stamp duty and \$6.6m of other initial costs. In addition, the Fund charges Management, Acquisition, Disposal, Performance, Custodian, Leasing, and Property, Facilities and Development Management fees.
  - Debt financing:** The 5 year debt with Bank of China debt facility is currently floating rate for years 4 and 5, where a rise in borrowing costs will impact distributions.
  - Lease expiries of residual tenants:** While both Carina Ford Lawyers (expiry FY22 / 1.8% of income) and McConnell Dowell Constructions (FY23 / 6.5% of income) have indicated interest in extending leases, there is no guarantee this will occur.

SOURCE: IRESS

## Important Disclaimer

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