



ANNUAL MEETING

4:00 pm, 1 SEPTEMBER 2022

# Centuria NZ Property Fund

Centuria

# Presentation Format

1. Centuria Update
2. Key Scheme and Financial Information
3. The Property and Market
4. The Tenant and Lease
5. Finance, Interest Rates, Hedging, Distribution Strategy
6. **Key/Potential Risks/Issues**
7. Future Strategy

# Centuria Company Update

Centuria is an ASX-listed Australasian commercial property investment manager with a 35-year track-record, currently managing more than \$20 billion of trans-Tasman property assets across multiple sectors including retail, office, industrial and healthcare on behalf of our investors of which circa \$3 billion is managed by Centuria NZ.

Recent acquisitions and equity raises:

- **\$178** million Visy Glass bottle manufacturing and distribution facility located in Penrose, Auckland.
- **\$48.9** million Tidal Road, Mangere new build industrial facility, purchased as part of the third stage capital raise for Centuria NZ Industrial Fund.
- **\$192.2** million aged care portfolio acquired by the recently created Centuria NZ Healthcare Property Fund.

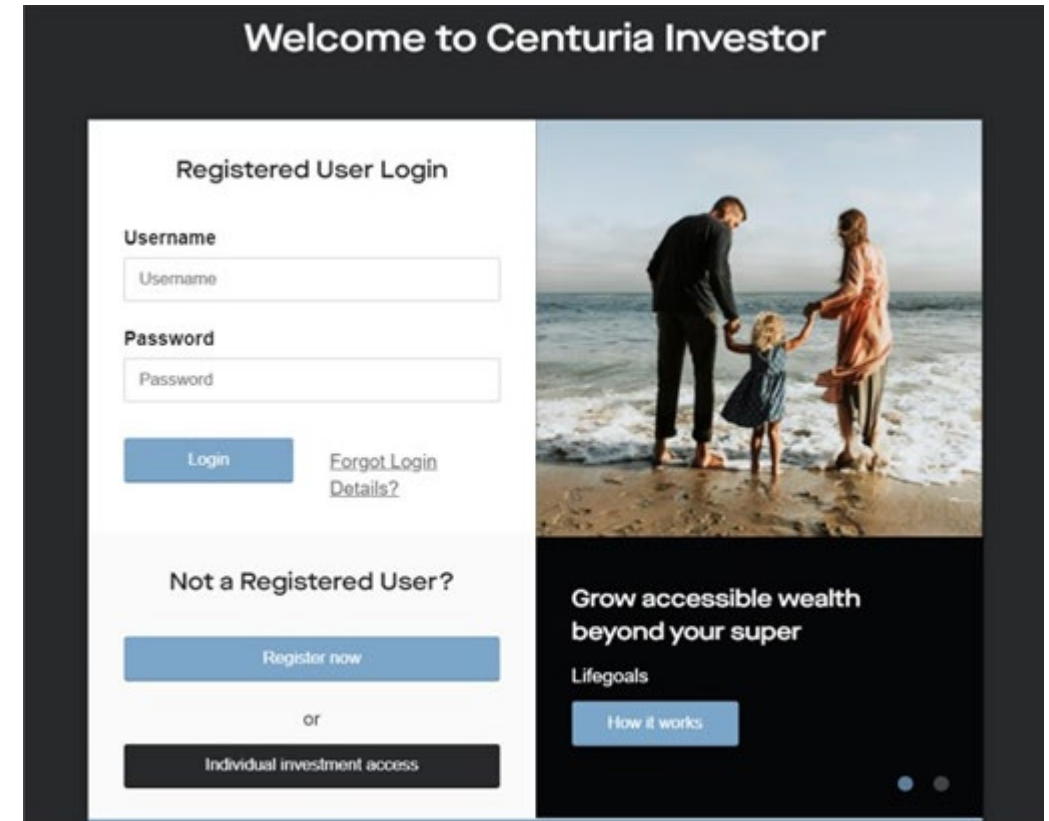


# Centuria Investor Portal

[www.CenturiaInvestor.com](http://www.CenturiaInvestor.com)

Our Centuria Investor Portal provides you with 24/7 access to a wide range of online self-service options to manage your holdings and personal information. Some of the key features include:

- Portfolio view – where you can link consolidate, and view all your Centuria investments in one location;
- Ability to view and manage your personal information, including contact details, banking information and IRD number;
- Access online statements; and
- Information on your holdings, such as distributions.



# Fund History

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# Centuria NZ Property Fund History

**SEPTEMBER 2020**

Fund established



**SEPTEMBER 2020**

Initial \$38.5m Capital Raise  
**Oversubscribed**

Fund acquires  
Anglesea Medical Centre,  
Hamilton \$55m



**MAY 2021**

Fund acquires  
26 Clarence Street,  
Hamilton (Waikato District  
Health Board) for \$6.5m



**OCTOBER 2021**

Fund acquires  
196 Roydvale Ave,  
Christchurch (CityFitness)  
for \$9.2m



**DECEMBER 2021**

Second \$50m Capital Raise



**MARCH 2022**

30 Tenants  
852 Unitholders  
Portfolio Value  
**\$76.15M**

# Core Fund Objectives

1

Provide investors with the opportunity to invest in a diversified portfolio of strategically selected directly owned assets along with other property related investments.

2

To provide a resilient income stream and sustainable regular monthly distributions.

3

Deliver growth from add-value opportunities, including through development.

4

Diversify the portfolio by acquiring additional properties, therefore further mitigating the risks to both capital and cashflow that can be associated with property ownership.

5

Strategically select property investments that contribute to yield or capital growth and compliment the current portfolio.

# Key Fund Metrics

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# Key Fund Metrics – Comparisons to Last Year

As at 31 March 2022



**30**

Tenants across 3 properties



**\$76.15m**

Portfolio Valuation



**\$4.27m**

Net Passing Rental

As at 31 March 2021



**28**

Tenants across 1 property



**\$56.7m**

Portfolio Valuation



**\$3.58m**

Net Passing Rental

# Key Numbers – 31 March 2022



**30**  
Tenants



**5.47**  
WALE



**5.45**  
cents per unit



**16,006sqm**  
Net Lettable Area



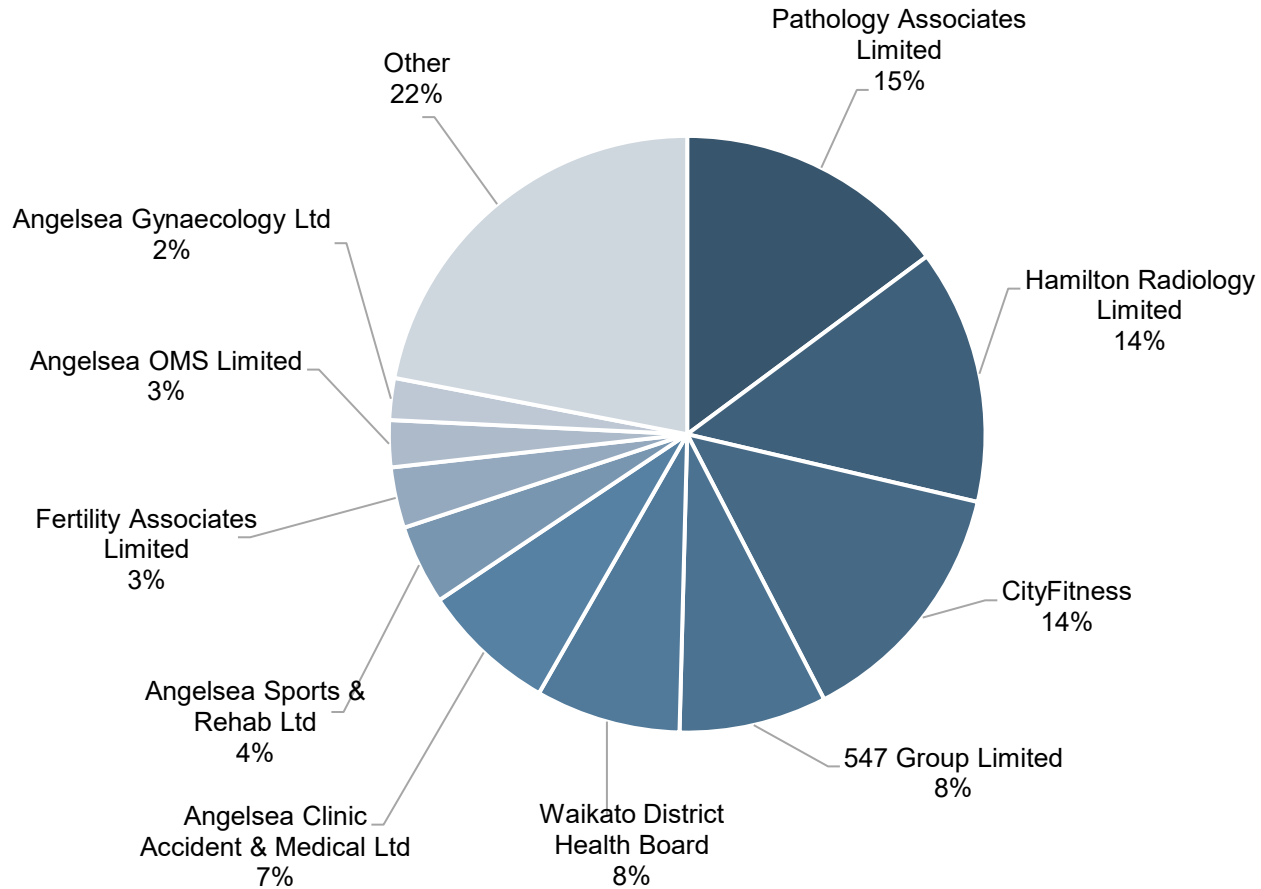
**\$76.15m**  
Valuation



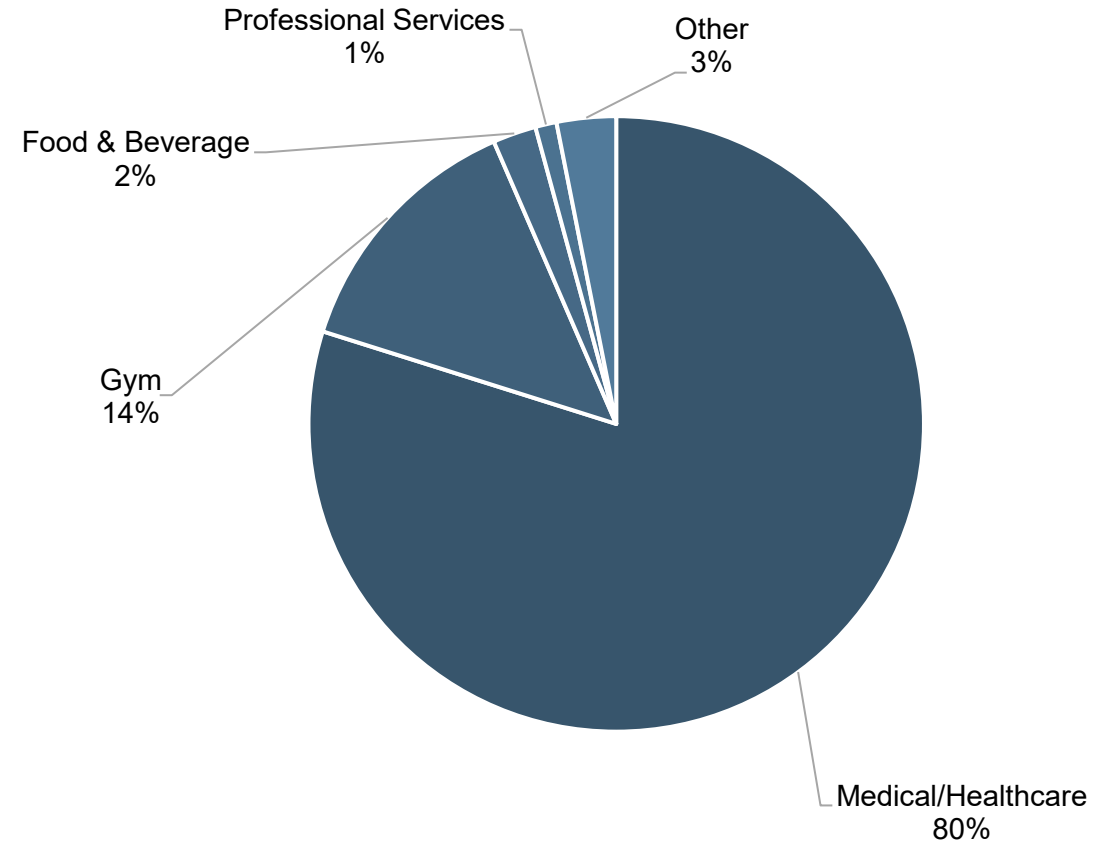
**0%**  
Loan to Value Ratio  
(LVR)

# Fund Metrics – 31 March 2022

## Largest 10 Tenants (Passing Rental)

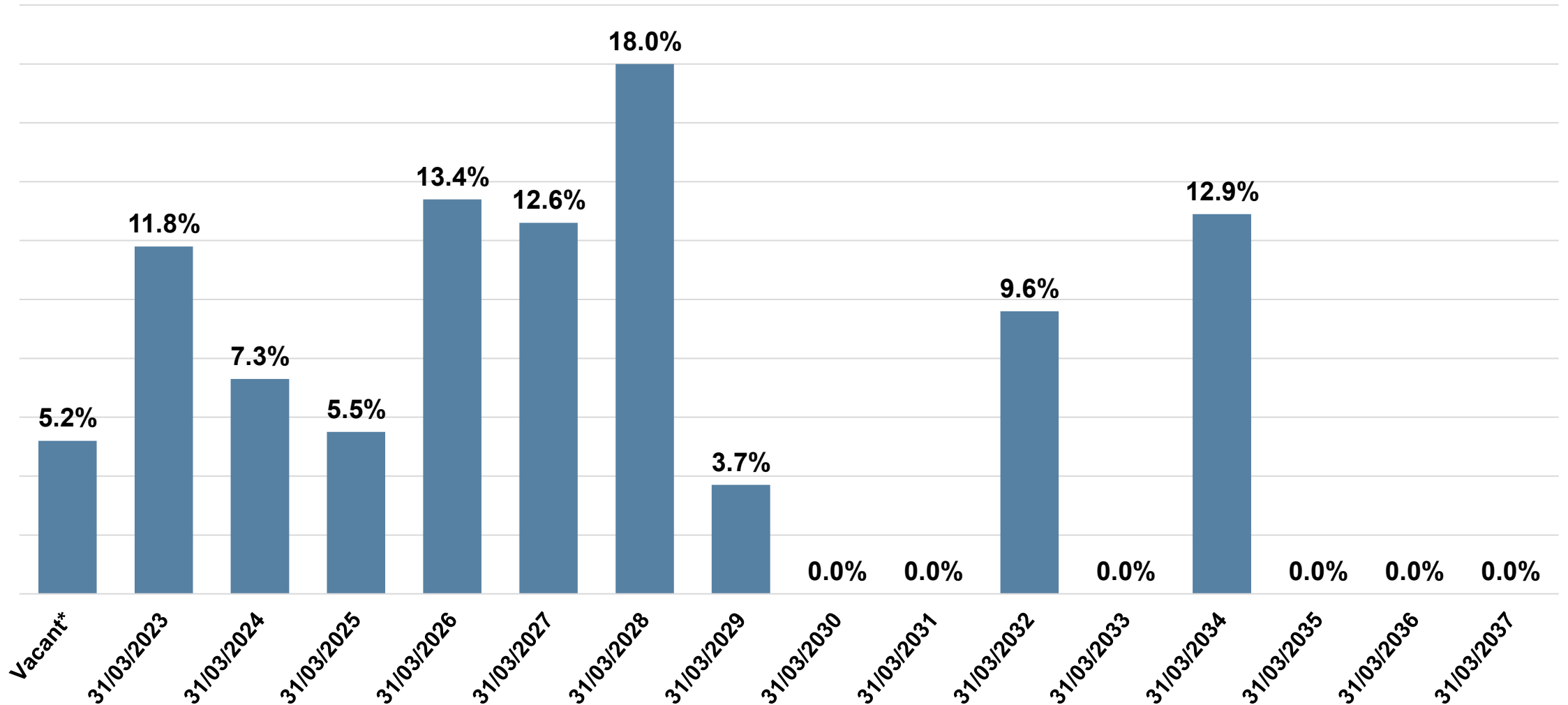


## Tenant Industry Mix (Passing Rental)



# Fund Metrics – 31 March 2022

## 15 Year Lease Expiry Profile



\*Reflects market rent for vacant tenancies.

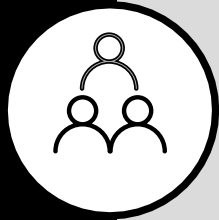
# Market Update

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# Economic Backdrop

## COVID-19



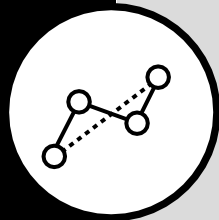
- Further lockdowns over FY22 continued to compromise trade for many businesses.
- Supply chains remain stretched.
- Labour market constraints exist due to historically low unemployment, COVID related absenteeism and negative net migration.
- Borders re-opening should alleviate some of the pressure and aid business confidence

## Inflation



- Annual CPI inflation rate of 7.3% to June 2022, a level not seen for 30 years.
- Expected to remain elevated for next 12-24 months.

## Interest Rates

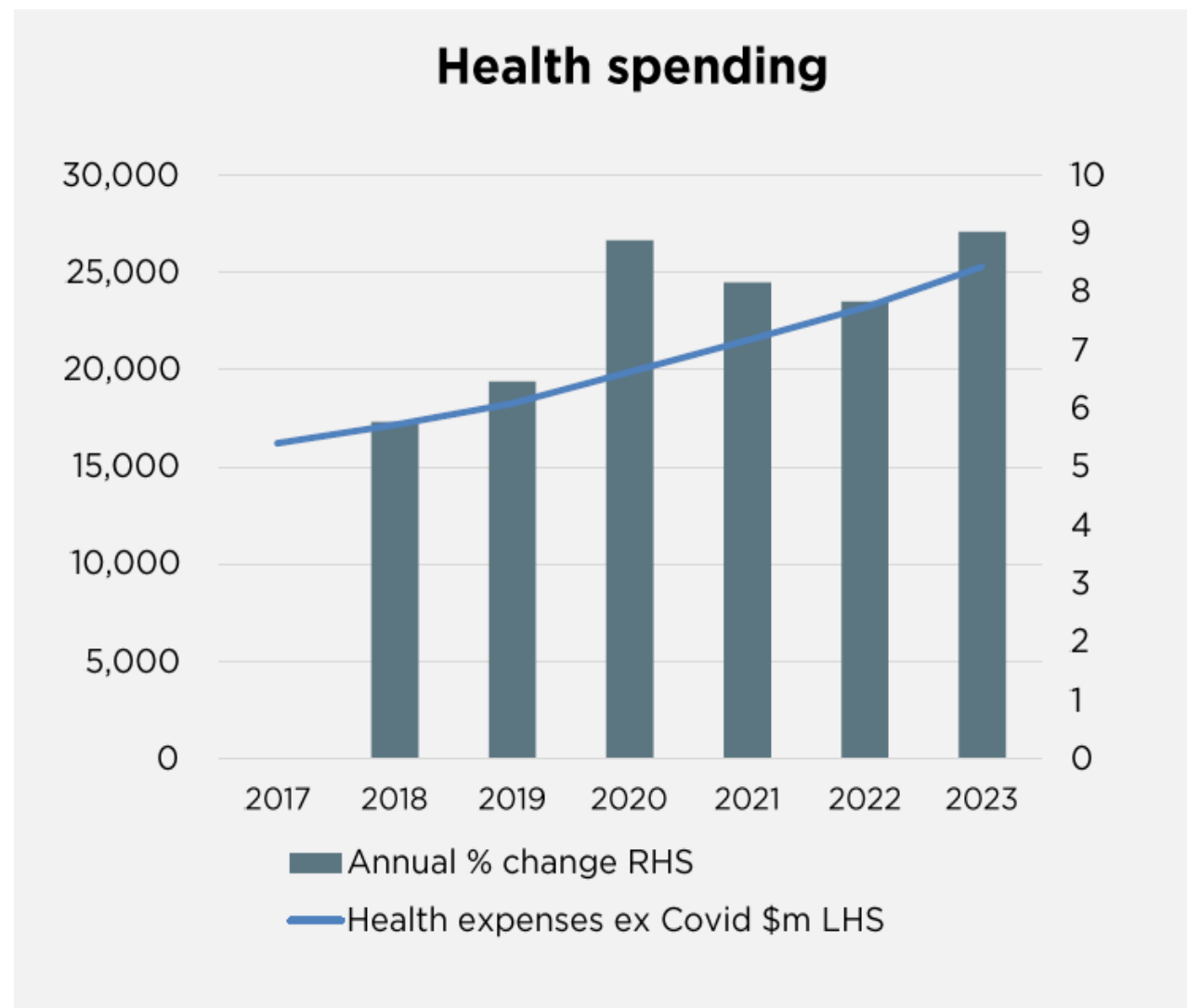


- To combat inflation the Reserve Bank of New Zealand has steadily increased the Official Cash Rate (OCR) from 0.25% to 3.0% in the past 12 months.
- Further increases are forecast, with the OCR expected to peak at 3.5-4.0% within the next 12 months.

# Medical Market Overview

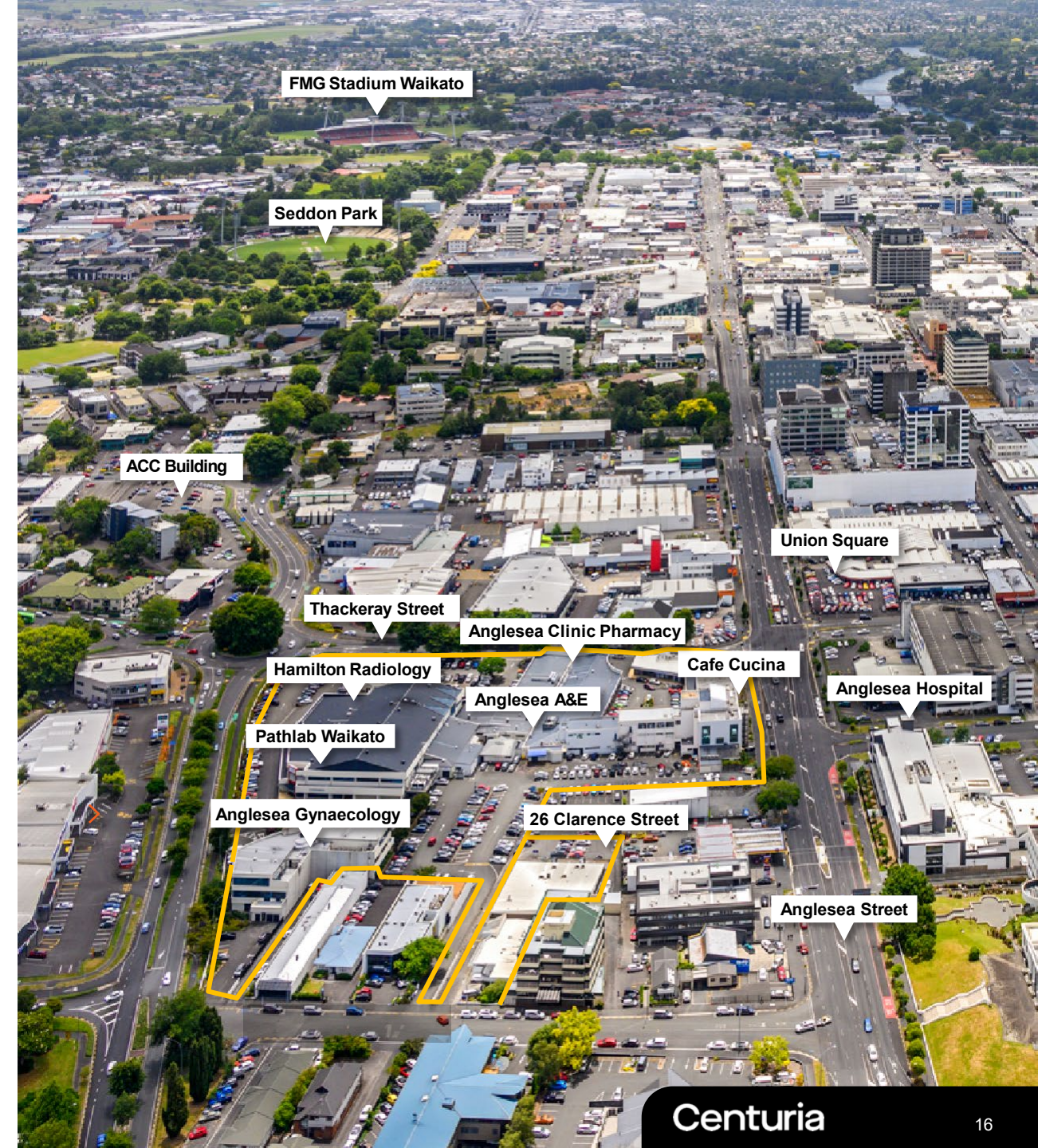
- **Strong Projections** – Health expenditure has risen at an average of 7.7% since 2017 and projected to be \$25.2bn in 2023.
- **Helpful Demographics** - Given New Zealand's core demographic trends, increasing life expectancies and an ageing population, demand for health related services is expected to continue to grow.
- **Private Sector Key Driver** - In recent years, there has been significant growth in private sector medical centres, facilitated and promoted in part by
  - Increases in wealth,
  - Private medical insurance,
  - Concern about the adequacy of services and waiting times at public hospitals, and a
  - Growing awareness in the community of health-related issues.
- **Ongoing Performance of Medical** - Healthcare property presents desirable non-cyclical and defensive characteristics.

Source: Treasury NZ



# Hamilton Market Overview

- Hamilton forms part of the “golden triangle” with Auckland, Tauranga and Hamilton with half NZ’s population residing within this area and strategic location with close proximity to nearby ports and airports.
- The Waikato Expressway to the north and East of Hamilton is complete, reducing travel times between Auckland and Hamilton to 1 hour 20 mins (off peak)
- Hamilton is now attracting developers and investors on Hamilton’s steady population growth and investment in infrastructure.
- Significant developments in the immediate vicinity include the first building of the Union Square 23,000sqm development opposite Anglesea Medical Centre and Tainui’s 8,500sqm ACC building one block over.
- Hamilton remains a sought-after location for commercial property, in particular for prime property.





# Portfolio Update

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# Key Highlights

## Anglesea Medical

- Negotiated a new 6-year term with Salutis Care (Oncology).
- Negotiated a new 10-year lease with Anglesea Pharmacy.
- Working with a private medical provider for a two level 1500sqm extension (\$11.8m) to the north-western corner of the site .
- Various improvements underway - repainting, façade improvements, landscaping, lobby refurbishment and signage/branding

## 26 Clarence St

- The tenant has almost completed a \$2m fitout to their tenancy which includes conversion of office space to consulting/clinic rooms for the Diabetes Centre

## 196 Roydvale Ave

- City Fitness continue to perform well despite the challenges over the last 12-18 months on this business.
- Provides a long-term lease through to October 2033.

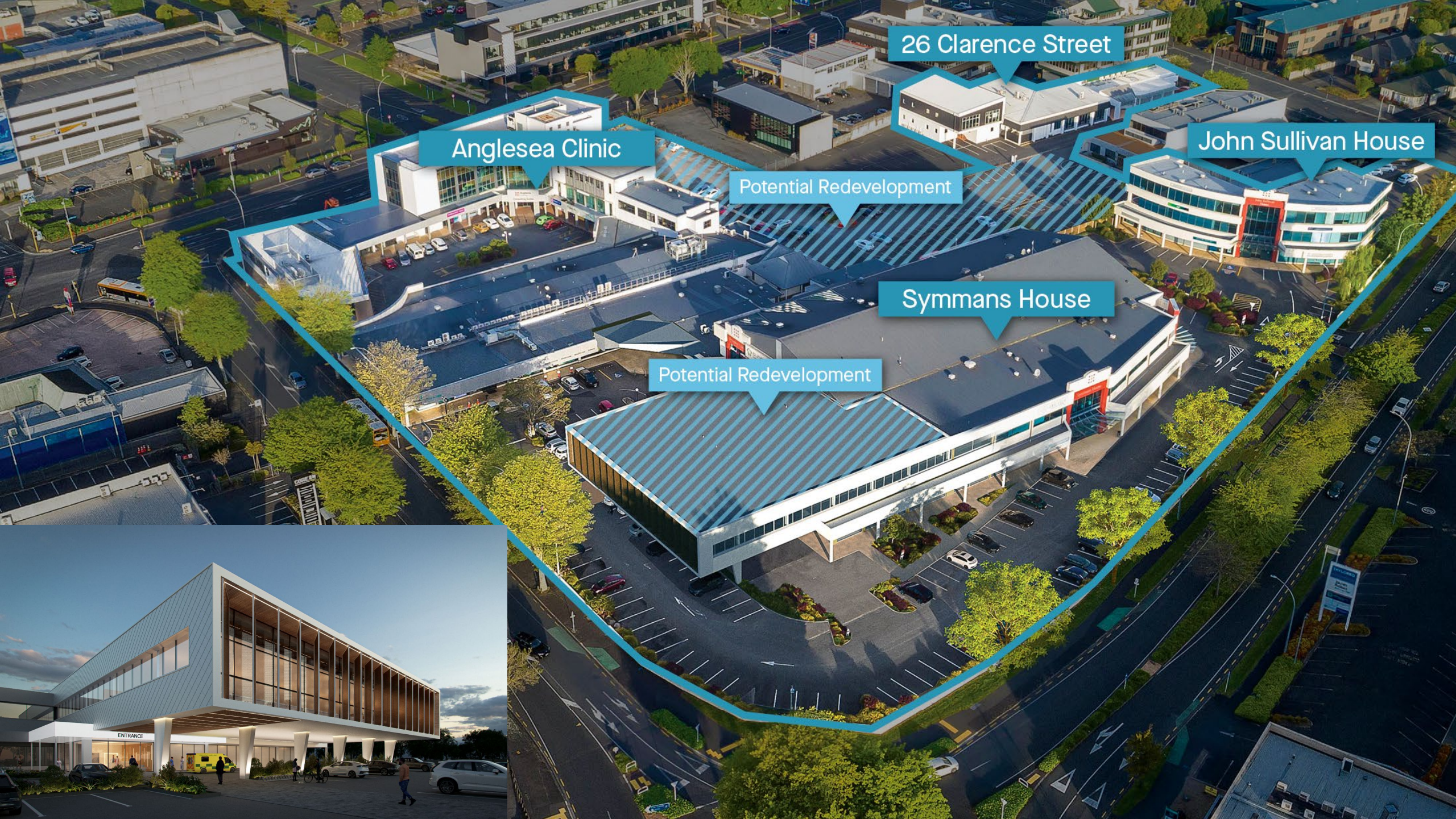


# Anglesea Future Plans

The three broad objectives for the property are:

- Retention of major occupiers and improvements in the weighted average lease term to expiry (WALE).
- Enhancement of the customer and tenant experience.
- Introduction of new complementary services/tenants to strengthen the tenant mix, including through development opportunities.





26 Clarence Street

Anglesea Clinic

John Sullivan House

Potential Redevelopment

Symmans House

Potential Redevelopment



# 40 Clarence Street, Hamilton

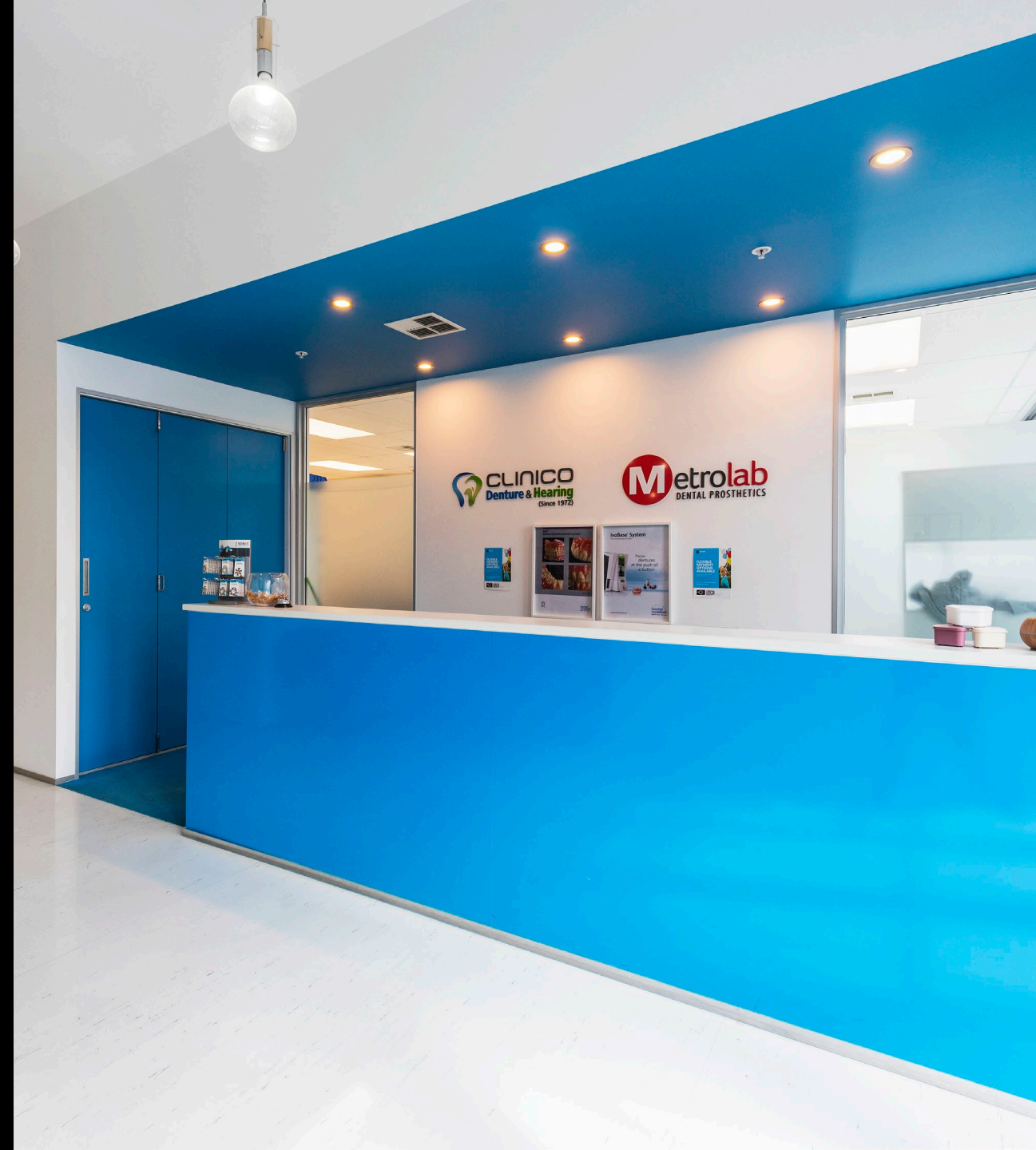
The Fund has entered into a unconditional sale and purchase agreement. The property adjoins the rear access to John Sullivan House, Anglesea Medical Centre.

<b>Purchase Price</b>	\$2.2m
<b>Use</b>	Offices, clinic rooms (Central City Zone)
<b>Equity Requirement</b>	Acquisition will funded from cash reserves
<b>Settlement</b>	27 September 2022
<b>Land Area</b>	1,010m <sup>2</sup>
<b>Net Lettable Area</b>	538.41m <sup>2</sup>
<b>Tenant</b>	Waikato District Health Board (Diabetes Services)
<b>Rental</b>	\$115,000
<b>Lease Term</b>	2 years from 1 February 2022, 1 x 2yrs ROR
<b>Rent Reviews</b>	Market Rent Reviews 2 year next due 1 July 2022



# Finance

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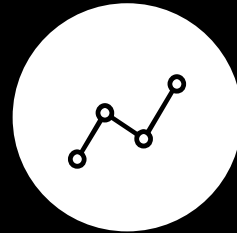
# Finance

As at 30 June 2022



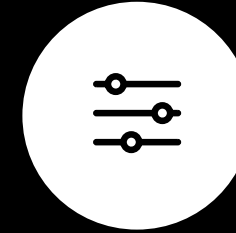
**ASB & ICBC**

Lenders



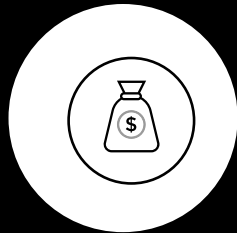
**1.56%**

Loan Margin



**Loan Strategy**

Continue with zero debt and use funds from the capital raise for potential acquisitions, R&M and capital works



**\$8.59M**

Cash in Bank

(\$8M on short-term term deposits)



**October 2024**

Loan Expiry



**\$12.375M**

Available Revolving Loan Facility

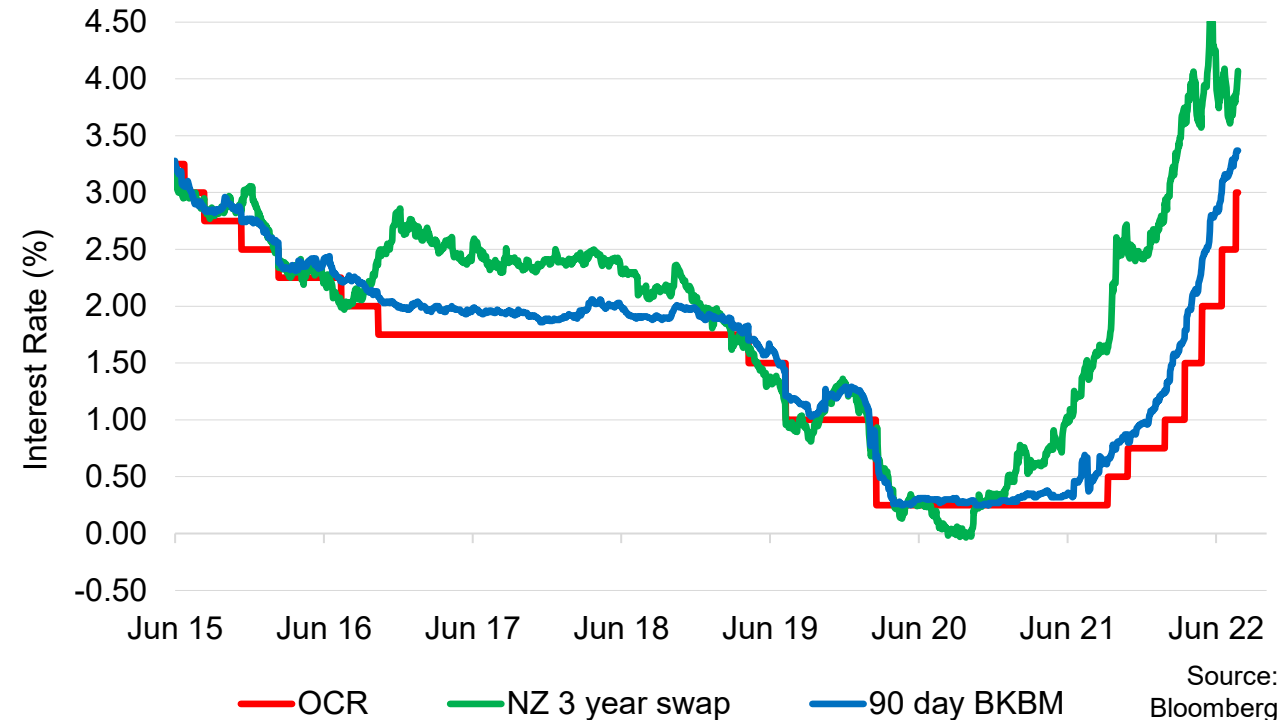
# Funding

- Now in a higher interest rate environment
- A line fee is payable on the facility limit
- Base rates have increased significantly in response to inflation pressures with the OCR moving from a low of 0.25% to 3.00% and further increases are expected
- Margins continue to face small upward pressure as banks face higher funding costs, mitigated by Centuria's strong bank relationships
- Floating interest rates (base rate + margin) are currently forecast to reach 6.50% – 7.00%

# Hedging

- Hedging fixes the base rate for a period of time to manage earnings volatility and funding costs
- No hedging is currently in place as there is no drawn debt
- Base rates are continuously monitored, and new hedging will be considered at the appropriate time to manage distributions and debt covenants

## Base Rates



## Margin

1.56%

On drawn debt

## Line fee

0.84%

On facility limit



# Financial Summary – 31 March 2022

	Actual Year ended 31 March 2022 (\$000)
Adjusted Operating Profit (AOP)	2,469
Adjusted Operating Profit per unit (weighted)	4.69 cents
Distributions per unit (weighted)	5.85 cents
Adjusted Operating Profit payout ratio	119%
Net tangible assets (NTA)	84,938
Unit Price	\$1.06
Total assets	85,706
Gearing	0%
Interest cover ratio	3.85

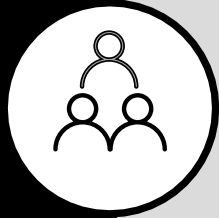
# Looking Ahead

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# Fund Growth & Diversification Opportunities

## Directly Owned Property



Strategically selected directly owned real estate which could be in any sector.

## Indirectly Owned Property



Interests in property managed investment schemes or funds

## Underwriting



Underwriting of property managed investment schemes and property managed funds capital raising

# Strategy For The Year Ahead

## Active Management

1

Managing the existing portfolio to secure safe long-term income.

## Capital Investment

2

Investing capital wisely to refurbish & develop additional space notably at Anglesea

## Debt Management

3

Careful management of treasury and interest rate risk

## Acquisition Strategy

4

Value Add - Options for adding value through lease deals & development  
Portfolio Fit - Contribute to the diversification of the Fund.  
Income Quality - Tenant quality and security and length of income



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