

## HY22 Financial Results

**SYDNEY** (Thursday, 3 February 2022) - Centuria Office REIT (**ASX: COF**), Australia's largest listed pure play office REIT has announced its Half Year financial results for the period ended 31 December 2021.

### HY22 Financial Highlights

- Upgraded FY22 Funds From Operations (FFO) guidance to 18.3 cents per unit (cpu)<sup>1</sup>
- FY22 forecast distributions per unit (DPU) guidance reiterated at 16.6 cpu, reflecting a 7.4%<sup>2</sup> yield
- \$63.6m statutory net profit
- \$54.7m FFO<sup>3</sup>
- Net Tangible Assets (NTA)<sup>4,5</sup> increased to \$2.49 per unit
- 97.8% average rent collection<sup>6</sup> throughout HY22
- 33.1% pro forma gearing<sup>7</sup>; \$127.2m of pro forma debt headroom; 3.9-year weighted average debt expiry
- \$201m of equity raised and an additional \$100m added to COF's debt facilities
- Included in FTSE EPRA Nareit Global Developed Index from September 2021

### HY22 Portfolio Highlights

- \$28.5m valuation uplift on a like for like basis
- \$273m of strategic acquisitions
- Portfolio increased to 23 high-quality assets worth \$2.3Bn<sup>5</sup>
- Portfolio occupancy increased to 94.3%<sup>8</sup> up from 93.1%; 4.3-year WALE<sup>9</sup>
- 16 years: average building age; 90% of portfolio comprises A-Grade assets
- 18,670sqm leases agreed<sup>10</sup>, representing 6.2% of portfolio's Net Lettable Area (NLA)
- 4.9-Star average NABERS energy rating (by value)
- c.71% of leases expiry at or beyond FY25

Grant Nichols, COF Fund Manager and Centuria's Head of Office, said, "COF delivered a strong performance throughout the first half of the 2022 Financial Year providing an upgraded FY22 FFO guidance of 18.3cpu and a reaffirmed FY22 distribution guidance<sup>11</sup> of 16.6cpu, reflecting a 7.4% yield, paid in equal quarterly instalments.

"This pleasing outcome reflects a combination of strong operating metrics and continued leasing momentum across the portfolio. The result has been further illustrated by COF's strong average rent collection of 97.8% and more than 18,600sqm of leases agreed, representing 6.2% of COF's portfolio NLA."

"The quality of COF's portfolio also increased through the strategic acquisition of two high-quality modern office buildings, within key Melbourne and Sydney near-city and metropolitan locations, for a combined value of \$273million. The acquisitions deliver clear benefits to the portfolio including high occupancy, an improved portfolio WALE and modern office accommodation, with affordable rent profiles, that are highly connected to transports hubs and retail amenity.

"Tenants are increasingly seeking new, efficient and sustainable buildings that provide quality internal and surrounding amenity, which are typical characteristics of the COF portfolio. As Australia's largest pure play office REIT listed on the ASX, COF remains focused on creating value for its unitholders through a portfolio of quality, connected and affordable assets across metropolitan and near city office markets throughout Australia."

### HY22 Financial Results

Earnings		HY22	HY21
Statutory profit / (loss)	\$m	63.6	21.5
Funds from Operations <sup>3</sup>	\$m	54.7	57.7
Funds from Operations per unit	cpu	9.78	11.21
Distribution per unit	cpu	8.30	8.25
Return on equity <sup>12</sup>	%	8.7	2.0

Balance sheet		Pro forma HY22 <sup>5</sup>	HY22	FY21
Total Assets	\$m	2,394.9	2,398.7	2,068.9
NTA per unit <sup>4</sup>	\$	2.49	2.50	2.48
Gearing <sup>13</sup>	%	33.1	31.1	33.5

Statutory net profit for HY22 was \$63.6million, with Funds from Operations of \$54.7 million. Distributions were in line with FY22 guidance provided. Due to leasing success at 35 Robina Town Centre Drive, Robina, QLD and other positive portfolio leasing outcomes, COF's FY22 FFO guidance was upgraded from 18.0cpu to 18.3cpu during the period.

Completed valuations reflect ongoing strong investment demand for quality office assets. Like for like portfolio revaluations as at 31 December 2021 increased by \$28.5million.

COF maintains a robust balance sheet with \$201 million of equity raised during the period and an additional \$100 million added to its debt facilities, providing a weighted debt maturity of 3.9 years and \$127.2million of headroom. COF has no debt tranche expiring before June 2024, a competitive all-in debt cost of approximately 2.3%<sup>14</sup> and maintains significant covenant headroom with a pro forma interest coverage ratio of 6.0x (covenant 2.0x) and loan to value ratio of 35.7% (covenant 50%). Pro forma gearing was maintained at 33.1%.

COF increased its investor relevance through FTSE EPRA Nareit Global Developed Index inclusion during September 2021, offering investors with another transparent and efficient means for comparing COF to global real estate peers.

## Property Portfolio

Portfolio Snapshot		HY22	FY21
Number of assets		23	22
Book value	\$m	2,322.0	2,014.3
WACR	%	5.65	5.81
Occupancy by area	%	94.3	93.1
WALE by gross income	years	4.3	4.3
Leases agreed by area	sqm	18,670	52,077
Average NABERS energy rating (by value)	stars	4.9	4.7
Average NABERS water rating (by value)	stars	4.1	3.2
Average building age (by value)	years	16.1	16.8

COF's portfolio expanded to 23 high-quality office assets worth \$2.3billion, while occupancy increased to 94.3% (from 93.1% in June 2021) and its WALE was maintained at a healthy 4.3 years. COF benefits from a young portfolio with an average building age of 16 years. Younger buildings are generally more efficient than older generation buildings and are attracting stronger levels of tenant demand. Approximately 90% of COF's portfolio comprises A-Grade assets.

The positive building attributes extend to the REIT's recent acquisitions, totalling more than \$273million. The acquisitions include 100% ownership of 101 Moray Street, South Melbourne VIC and the remaining 50% interest in 203 Pacific Highway, St Leonards, NSW.

COF also benefitted from strong leasing activity during the period, with 18,670 sqm of leases agreed, representing 6.2% of portfolio NLA. This includes 14 new leases across 4,854sqm and nine lease renewals across 13,816sqm. Across COF's portfolio, 72% of tenants lease more than 2,000sqm, indicating considerable demand from large tenants for quality metropolitan and near-city office assets.

The REIT increased occupancy to 100% across two Queensland properties during the half. This was particularly pleasing at 35 Robina Town Centre Drive, Gold Coast, where Concentrix has renewed its c.5,500sqm tenancy for three years, which, together with other agreed leases, improved the building's occupancy to 100% and extended the WALE to 2.7 years.

Through active tenant relations and effective asset management, 71% of the portfolio's leases will expire at or beyond FY25. COF's diversified revenue streams are further supported by quality tenants with c.80% of portfolio income derived from Government, ASX-listed and multinational tenants.

Rent collections averaged a healthy 97.8% throughout HY22, testament to COF's quality tenants.

### Sustainability

COF benefits from Centuria Capital Group's (ASX: CNI or Centuria) three-fold sustainability approach defined by: "Conscious of Climate Change," "Valued Stakeholders," and "Responsible Business Principles" with each area aligned to either an environment, social or governance theme. In October 2021, Centuria published its first Sustainability Report containing details relating to the Group's Environment Social Governance (ESG) initiatives, including those undertaken by COF.

Throughout HY22, Centuria and COF implemented further ESG initiatives including initial disclosures aligned to the Task Force on Climate-Related Financial Disclosures (TCFD), disclosures aligned to Global Reporting Initiative (GRI) Sustainability Reporting Standards and delivery of Centuria's second Modern Slavery Statement.

Specific to the environment, high level physical climate risk assessments of COF assets are ongoing. COF achieved a strong 4.9-Stars average NABERS energy rating (by value), up from 4.5-Stars during the previous corresponding period. Furthermore, COF has disclosed its FY20 and FY21 energy and water consumption, greenhouse gas emissions (Scope 1 and 2), and their respective intensities.

### Summary & Outlook

Mr Nichols, commented, "In recent months, Australia has benefited from an uptick in white collar employment, with Australia's unemployment rate at its lowest level in 13 years<sup>15</sup>. This improvement in employment levels has translated into stronger tenant demand for office accommodation with 185,000 sqm<sup>16</sup> of positive net absorption across Australian office markets in the three months to 31 December 2021.

"We see this positive momentum continuing with tenants gravitating towards higher quality accommodation in new-generation buildings that provide COVID-safe work environments, efficient floorplates, improved amenities and competitively-priced accommodation. Furthermore, there is increased demand to be located in areas that provide short commutes to improve employee satisfaction and attract the best talent.

"Though COVID-19 continues to impact office markets, Australia has one of the highest vaccination rates in the world, with one of the lowest mortality rates. Backed by the strength of the Australian economy, we expect to see tenant demand for Australian office improving throughout 2022.

"In conclusion, COF continues to maintain a healthy balance sheet while its portfolio benefits from high-quality modern office buildings leased to strong tenant covenants. It remains in a strong position to continue delivering a compelling performance throughout FY22."

### HY22 Results Presentation

In addition to the HY22 Results Presentation, COF is providing a market briefing, which will be made available via the [Centuria website](#).

– Ends –

#### For more information or to arrange an interview, please contact:

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# Centuria Office REIT (COF)

## ASX Announcement

# Centuria

*Authorised for release by Anna Kovarik, Company Secretary.*

### About Centuria Office REIT

COF is Australia's largest ASX listed pure play office REIT and is included in the S&P/ASX300 Index. COF owns a portfolio of high quality office assets situated in core submarkets throughout Australia. COF is overseen by a hands-on, active manager and provides investors with income and the opportunity for capital growth from a pure play portfolio of high-quality Australian office assets.

Centuria Property Funds Limited (CPFL) is the Responsible Entity for the ASX listed Centuria Office REIT (COF) (ARSN 124 364 718). CPFL is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with more than \$20billion in total assets under management and offers a range of investment opportunities including listed and unlisted property funds as well as tax-effective investment bonds.

[www.centuria.com.au](http://www.centuria.com.au)

### Summary Information

The following disclaimer applies to this announcement and any information contained in it (the Information). The Information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with COF's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at [www.asx.com.au](http://www.asx.com.au). You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any Information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

### Forward Looking Statements

This announcement may include forward-looking statements. These forward-looking statements are based on COF's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of COF, which could cause actual results to differ materially from such statements. COF makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of this announcement.

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1 FFO Guidance Upgrade was announced on 13 December 2021

2 Based on COF's closing share price of \$2.24 on Wednesday, 2 February 2022

3 FFO is the Trust's underlying and recurring earnings from its operations. This is calculated as the statutory net profit adjusted for certain non-cash and other items

4 NTA per unit is calculated as net assets divided by closing units on issue

5 Pro forma includes 50% acquisition of 203 Pacific Highway, NSW which is expected to settle in February 2022

6 As COVID-19 impacts and the National Code of Conduct on Commercial Leases remains active, it is possible further rent relief claims could be received for the period

7 Gearing defined as total borrowings less cash divided by total assets less cash. Pro forma gearing reflecting 50% acquisition of 203 Pacific Highway, St Leonards, NSW. Gearing as at 31 December 2021 was 31.1%

8 By gross income

9 WALE by gross income

10 Includes Heads of Agreement

11 Guidance remains subject to unforeseen circumstances and material changes in operating conditions.

12 Return on Equity is calculated as closing NTA plus distributions divided by opening NTA

13 Gearing is defined as total borrowings less cash divided by total assets less cash

14 Average effective interest rate for the period. Includes floating rate, all-in margin (base and line fees) and fixed interest costs under existing swaps (excludes capitalised borrowing costs)

15 The Hon Josh Frydenberg MP, S&P affirms Australia's AAA credit rating, 27 January 2022

16 JLL (Dec-21)