

## HY23 Financial Results

**SYDNEY** (Thursday, 2 February 2023) - 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 2022.

### Financial Highlights

- \$48.6m Funds From Operations (FFO)<sup>1</sup>, FFO per unit of 8.1 cents per unit (cpu)
- HY23 Distribution per unit (DPU) of 7.05 cpu, in line with guidance<sup>2</sup>
- \$2.40 per unit Net Tangible Assets (NTA)<sup>3</sup>
- 5.75% Weighted Average Capitalisation Rate (WACR)
- 97% average rent collection throughout HY23
- 35.6% debt gearing<sup>4</sup>, \$101.5m facility headroom<sup>5</sup>, 3.4-year weighted average debt expiry, no debt expiry until FY25
- Reaffirm FY23 FFO guidance of 15.8 cpu<sup>2</sup>, FY23 distribution guidance of 14.1 cpu<sup>2</sup> (distribution yield of 8.8%<sup>6</sup>)

### Portfolio Highlights

- 30,420 sqm total leasing activity across 35 deals, (10% of portfolio NLA)<sup>7</sup>
- 24 new leases totalling 24,285sqm, 11 renewals totalling 6,135sqm, c.14% of leases expire before FY25<sup>7,8</sup>
- 150,000sqm+ of leasing completed since COVID-19 outbreak, c.51% of portfolio NLA
- Portfolio occupancy up to 96.4% (FY22: 94.7%)<sup>9</sup>, WALE maintained at 4.2 years<sup>10</sup>
- Portfolio comprises 23 high-quality assets worth \$2.3Bn<sup>11</sup>
- Average building age of c.17 years, 90% of portfolio comprises A-Grade assets
- 79% of rental income derived from government, multinational corporations and listed entities
- 4.8 Stars NABERS SPI energy rating (by value)

Grant Nichols, COF Fund Manager and Centuria Head of Office said, "COF delivered significant leasing outcomes during the first half of FY23, continuing the REIT's considerable leasing momentum executed since the start of the pandemic, which has resulted in new and renewed terms across more than 50% of its portfolio. During the first half of FY23, COF leased over 24,000sqm of vacant space, which increased portfolio occupancy to 96.4%<sup>10</sup>.

"COF's leasing activity substantiates the increasing demand for metropolitan and near-city office markets that lends themselves to affordable office accommodation, an increasing consideration from occupiers in the current economic environment. Moreover, research shows workspaces providing lifestyle amenities incentivise workers to return to the office and facilitates recruiting personnel<sup>12</sup>. Offices with lifestyle amenities are indicative of COF's portfolio.

"With positive industry data revealing an increasing number of workers returning to the office across all capital cities<sup>13</sup> and tenants generally seeking to accommodate peak office occupancy rather than average occupancy, we are confident tenant demand will continue in the near term."

### Financial Results

Earnings		HY23	HY22
Funds from Operations <sup>1</sup>	\$m	48.6	54.7
Funds from Operations per unit <sup>1</sup>	cpu	8.1	9.8
Distribution per unit	cpu	7.05	8.30
Statutory profit / (loss)	\$m	(17.4)	63.6

  

Balance sheet		HY23	FY22
Total Assets	\$m	2,383.7	2,410.8
NTA per unit <sup>3</sup>	\$	2.40	2.50
Gearing <sup>4</sup>	%	35.6	33.8

During HY23, COF delivered FFO<sup>1</sup> of \$48.6million or 8.1cpu, in line with guidance<sup>2</sup>. Distributions of 7.05cpu were in line with FY23 guidance<sup>2</sup> and were paid to unitholders in equal quarterly instalments. The resilience of COF's high-quality portfolio is reflected by its high-calibre tenants. During the period, COF achieved a strong 97% average rent collection.

COF maintains substantial undrawn debt of \$101.5million<sup>5</sup> and c.\$19.4million cash on hand, complemented by a 3.4-year weighted average debt expiry with no debt expiry until FY25. Gearing as at 31 December 2022 was 35.6%<sup>4</sup>, with 58.1% of the debt hedged. A total of \$500million of debt was hedged as at 31 December 2022.

Like-for-like portfolio revaluations as at 31 December 2022 declined by \$45million or 2% from COF's prior portfolio value, with NTA reduced to \$2.40 per unit<sup>3</sup> as at 31 December 2022. COF's weighted average capitalisation rate (WACR) expanded 17bps during the half to 5.75%. Throughout HY23 there was reduced transactional volumes, with investors demonstrating caution due to interest rate uncertainty.

## Property Portfolio

Portfolio Snapshot		HY23	FY22
Number of assets		23	23
Book value	\$m	2,310.0	2,335.2
WACR <sup>14</sup>	%	5.75	5.58
Occupancy by gross income	%	96.4	94.7
WALE by gross income	years	4.2	4.2
Leases agreed by area	sqm	30,420	41,283
Average NABERS Energy rating (by value)	stars	4.8	4.8
Average NABERS Water rating (by value)	stars	3.9	3.9
Average building age (by value)	years	17	16

During the period, a total of 30,420 sqm was leased across 35 deals, representing (10% of portfolio NLA)<sup>7</sup>. This included 24 new leases totalling 24,285 sqm, 11 renewals totalling 6,135sqm. Total leasing activity extends to 15,084 sqm of executed leases, (5.0% of portfolio NLA) and 15,336 sqm of signed Heads of Agreement (5.0% of portfolio NLA). Around 14% of COF's portfolio leases expire before FY25<sup>8</sup>. Significantly, since 2020 when the COVID-19 pandemic impacted the industry, COF has leased more than 150,000sqm, representing c.51% of NLA, which is the largest volume of leasing transactions in the REIT's history.

Due to strong leasing activity during HY23, COF's portfolio occupancy increased to 96.4%<sup>10</sup> (FY22: 94.7%) and WALE<sup>11</sup> was maintained at 4.2 years. COF's modern office portfolio encompasses 23 high-quality assets worth \$2.3billion, with an average building age of 17 years and 90% of the portfolio comprising A-Grade assets. COF's portfolio is dominated by large corporate and government occupiers with more than 67% of tenants occupying in excess of 2,000sqm. Additionally, 79% of portfolio rental income derived from government, multinational corporations and listed entities.

## Sustainability

COF is externally managed by Centuria Capital Group (Centuria) and aligns itself to Centuria's sustainability framework. Centuria Property Funds Limited (CPFL) is the responsible entity for COF and a wholly owned subsidiary of Centuria Capital Group. By the REIT's nature, COF has no staff and is solely a portfolio of assets.

Throughout HY23, Centuria and COF implemented various ESG initiatives, including:

- Centuria delivered its second Sustainability Report in October 2022, which included its second Task Force on Climate-related Financial Disclosures (TCFD) aligned disclosure.
- Centuria published its third Modern Slavery Statement in late 2022
- A Supplier Code of Conduct was issued to suppliers and contractors in late 2022, setting out Centuria's minimum standards to be adhered
- Centuria increased its workplace diversity with 45% of employees being female (41%: HY22)
- Centuria launched a new flexible office accommodation offering, called Cirque by Centuria

- Centuria launched a digital tenant portal to enhance office occupier relations and communication, called the Tenant Engagement Network app (T.E.N by Centuria)
- Employee engagement surveys revealed 94%<sup>15</sup> of employees enjoy working at Centuria
- Centuria is aiming for a full electric development pipeline, where practical, and COF developments are targeting a minimum Five-star Green Star Rating

Specific to the environment, within HY23 COF maintained a NABERS Sustainable Portfolio Index (SPI) energy rating of 4.8 Stars and NABERS water rating of 3.9 Stars. The NABERS SPI showcases property portfolios across Australia and is becoming an industry benchmark for the environmental performance of Australian real estate portfolios.

### Summary & Outlook

Mr Nichols, commented, “Many Australian office markets demonstrated positive tenant demand through HY23, with most demand occurring outside of Australia’s major CBDs, enabling COF’s geographically diversified portfolio to benefit from the positive momentum. This encouraging leasing activity runs contrary to anecdotal speculation concerning the impact flexible work may have on demand for office space. With tenants increasingly recognising the benefit offices provide to collaboration and culture, and labour demand remaining strong, we are confident that COF’s quality office portfolio will continue to attract and retain tenants.

“Rising interest rates throughout HY23 have impacted asset and debt pricing and there has been a noticeable reduction in transaction volumes. Of the assets that transacted, there is evidence of bifurcation based on quality and leasing risk. Well tenanted, high-quality buildings continue to trade on competitive sales metrics. It is expected that transaction volumes will increase once interest rates stabilise and investor conviction improves. In reaffirming guidance, COF has taken into account current and forecast changes in interest rates and continues to monitor economic conditions.”

COF reaffirms FY23 FFO guidance of 15.8cpu<sup>2</sup> and distribution guidance of 14.1cpu<sup>2</sup> (distribution yield of 8.8%<sup>6</sup>), which are expected to be paid in equal quarterly instalments<sup>2</sup>.

### HY23 Results Presentation

COF is providing a market briefing, which will be made available on Centuria Office REIT’s [website](#).

– Ends –

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

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*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 \$21billion in total assets under management (as at 31 December 2022) 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

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### 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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<sup>1</sup> 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

<sup>2</sup> Guidance remains subject to unforeseen circumstances and material changes in operating conditions

<sup>3</sup> NTA per unit is calculated as net tangible assets divided by closing units on issue

<sup>4</sup> Gearing is defined as total borrowings less cash divided by total assets less cash

<sup>5</sup> Headroom reflects undrawn debt (including a \$1.5m bank guarantee held as security over the 46 Colin Street, West Perth WA ground lease)

<sup>6</sup> Based on COF closing unit price of \$1.60 on Tuesday, 31 January 2023

<sup>7</sup> Includes Heads of Agreement and executed leases

<sup>8</sup> Existing tenant, Clough, is currently in voluntary administration with an outcome still to be determined

<sup>9</sup> Occupancy by gross income

<sup>10</sup> Weighted Average Lease Expiry (WALE) by gross income

<sup>11</sup> Excludes the right of use asset

<sup>12</sup> Workplace Report released by MRI Software, respondents across US, UK and Australia

<sup>13</sup> Property Council of Australia's Office Occupancy Survey (7 December 2022)

<sup>14</sup> Weighted average capitalisation rate

<sup>15</sup> Centuria Capital Group undertake regular employee engagement surveys. The reported figure is from the Group's FY22 survey