

## HY24 Financial Results

**SYDNEY** (Friday, 16 February 2024) - 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 2023.

### Financial Highlights

- \$41.8m Funds From Operations (FFO)<sup>1</sup>, FFO per unit of 7.0 cents per unit (cpu)
- 6.0 cents distribution per unit (DPU), in line with guidance<sup>2</sup>
- \$1.98 per unit Net Tangible Assets (NTA)<sup>3</sup>
- Strong liquidity: \$88.2m pro forma debt headroom<sup>4</sup>, 2.7-year Weighted Average Debt Expiry (WADE), no debt expiring until FY26
- Reaffirm FY24 FFO guidance of 13.8 cpu<sup>2</sup>, FY24 distribution guidance of 12.0cpu<sup>2</sup> (distribution yield of 9.6%<sup>5</sup>)

### Portfolio Highlights

- Portfolio occupancy of 96.2%<sup>6</sup>, 4.4-year WALE<sup>7</sup>
- 28,659sqm total leasing activity across 23 transactions, (9.7% of portfolio NLA)<sup>8</sup>
- Significant FY25 expiries addressed (c.5% of portfolio NLA), including COF's largest tenant customer
- 197,000sqm+ of leasing completed since 2020, c.67% of portfolio NLA
- 6.26% Weighted Average Capitalisation Rate (WACR)
- 22 high-quality assets worth \$2.1bn<sup>9</sup>, c.17.7-year average building age, 90% A-Grade assets,
- 78% of rental income derived from government, multinational corporations and listed entities,
- 4.9 Stars NABERS SPI energy rating (by value)

Grant Nichols, COF Fund Manager and Centuria Head of Office said, "COF executed a number of key FY24 objectives, with a particular focus on leasing. During the half, high occupancy of over 96% was maintained and portfolio WALE increased to 4.4 years. Pleasingly, COF renewed its largest tenant (c.5% portfolio NLA) with the Commonwealth Government committing to a further 10-year term at 235 William Street, Northbridge, WA. Selective divestment of two non-core assets, totalling \$63million, improved overall portfolio quality, positioning COF to take advantage of the recovering conditions within decentralised office markets.

"Looking to the leasing market, we believe tenant demand may be finding an equilibrium. Workplace structural changes throughout the past four years have largely balanced out, and flexible working arrangements are now somewhat ubiquitous. In fact, many Australian office markets experienced positive net absorption through 2023<sup>10</sup>. Many tenants have not decreased their footprint and the universal office leasing distress predicted by market speculators has not materialised, particularly in the markets COF is exposed to.

"Significantly, metropolitan office demand continues to materially outstrip the Sydney and Melbourne CBDs. In particular, the Brisbane fringe market incurred the strongest net absorption in 2023 and has limited pending supply.<sup>10</sup> COF has substantial exposure to this market with a 20% portfolio weighting."

Ross Lees, Head of Funds Management, added, "COF is providing unitholders with a well-priced investment, providing a 9.6% distribution yield<sup>5</sup>. It's portfolio construction, comprised of modern, high-quality assets within metropolitan markets is differentiated by amenity, affordability and connectivity. These unique attributes capitalise on the continued bifurcation between prime grade stock and secondary assets."

### Financial Results

Earnings		HY24	HY23
Funds from Operations <sup>1</sup>	\$m	41.8	48.6
Funds from Operations per unit <sup>1</sup>	cpu	7.0	8.1
Distribution per unit	cpu	6.0	7.05
Statutory profit / (loss)	\$m	(99.4)	(17.4)

Balance sheet		HY24	FY23
Total Assets	\$m	2,159.1	2,311.0
NTA per unit <sup>3</sup>	\$	1.98	2.20
Gearing <sup>11</sup>	%	40.9	38.4

During HY24, COF delivered FFO<sup>1</sup> of \$41.8million or 7.0cpu, in line with guidance<sup>2</sup>. Distributions of 6.0cpu were in line with FY24 guidance<sup>2</sup> and were paid to unitholders in equal quarterly instalments.

COF continued to maintain liquidity with \$88.2million pro forma debt facility headroom<sup>4,12</sup>, a 2.7-year weighted average debt expiry and has no debt expiring until FY26. COF maintains a diverse pool of six lenders and as at 31 December 2023, pro forma gearing was 40.4%<sup>12</sup> and 76% of debt is hedged. The REIT retains sufficient debt covenant headroom with a 2.9x Interest Coverage Ratio (ICR) (covenant 2.0x) and a Loan-to-Value Ratio (LVR) of 41.6%<sup>13</sup> (covenant 50%).

Like-for-like portfolio revaluations as at 31 December 2023 declined by c.\$124million or c.5.6% from COF's 30 June 2023 portfolio value, contributing to NTA of \$1.98 per unit<sup>3</sup>. COF's weighted average capitalisation rate (WACR) expanded 26bps during HY24 to 6.26%.

## Property Portfolio

Portfolio Snapshot		HY24	FY23
Number of assets		22	23
Book value	\$m	2,087	2,237
WACR <sup>14</sup>	%	6.26	6.00
Occupancy by gross income	%	96.2	97.1
WALE by gross income	years	4.4	4.2
Net lettable area	sqm	293,956	303,305
Average NABERS Energy rating (by value)	stars	4.9	4.9
Average NABERS Water rating (by value)	stars	3.9	3.9
Average building age (by value)	years	17.7	17.1

During the period, a total of 28,659 sqm was leased across 23 transactions, representing 9.7% of portfolio NLA<sup>6</sup>. Around 8% of COF's portfolio leases expire before FY25<sup>8</sup>. Significantly, since 2020, COF has leased more than 197,000sqm, representing c.67% of NLA.

During HY24, COF's portfolio occupancy was 96.2%<sup>6</sup> and WALE<sup>7</sup> increased to 4.4 years. COF's modern office portfolio encompasses 22 high-quality assets worth \$2.1billion, with an average building age of 17.7 years and 90% of the portfolio comprising A-Grade assets. Additionally, 78% of portfolio rental income is derived from government, multinational corporations and listed entities.

## Capital Transactions

COF divested two non-core assets during the period, which improved the REIT's overall portfolio by age and quality:

- 35 Robina Town Centre Drive, Robina QLD for \$40million, reflecting a c.5% discount to the 31 December 2022 book value and settled during the period. The property delivered an IRR of c.7% during the period of ownership.
- 54 Marcus Clarke, Canberra ACT for \$23million, reflecting a c.1.7% discount to the 31 December 2022 book value and settled in January 2024. The property delivered an IRR of c.11% during the period of ownership.

COF will consider further divestments throughout the remainder of FY24 to enhance portfolio quality and strengthen its balance sheet.

## Sustainability

COF is 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.

Recent ESG initiatives specific to COF included:

- A new sustainability target of zero scope 2 emissions by 2028<sup>15</sup>
- A further target of eliminating gas and diesel<sup>16</sup> in operations by 2035 where practicable
- 350kW of solar delivered in HY24 and a further 499kW planned for delivery during the remainder of CY24
- Strong 4-star GRESB rating
- Implemented a 5-star Green Star target for all current and future developments

Throughout HY24, Centuria implemented various ESG initiatives, which have a positive impact on COF, including:

- Creation and implementation of Group ESG Policy and COF ESG Investment Approach
- Published Centuria's 2023 Sustainability Report (including TCFD) and FY23 Modern Slavery Statement
- Named in the Top 10 AFR Best Places to Work in Australia and New Zealand 2023 within the property, construction and transport category

### Summary & Outlook

Mr Nichols, commented, "We remain optimistic about the future of Australian office markets. Falling productivity, loneliness and erosion of work culture is driving return to work mandates as many tenants actively seek to re-engage with their staff in an office environment.

"At the same time, we have already seen a number of Australian office markets demonstrate robust tenant demand, which should continue as most office-based businesses have already adapted to flexible working arrangements. Within tenant demand, there remains clear bifurcation between prime and secondary assets as tenants demonstrate a clear preference for better quality accommodation. This will continue to benefit COF's quality, young portfolio."

"Looking forward, we expect future office supply to materially reduce over the medium term. Development feasibilities have been impaired due to rising construction costs, increased finance costs and softening capital market transactions, pushing economic rents significantly above prevailing rents in the majority of Australian office markets. This is likely to provide strong future tailwinds for the markets COF is exposed to, especially in light of forecast population and white collar employment growth. It will be particularly beneficial for high quality, existing portfolios that offer affordable accommodation solutions like COF."

COF reaffirms FY24 FFO guidance of 13.8 cpu<sup>2</sup> and distribution guidance of 12.0 cpu<sup>2</sup> (distribution yield of 9.6%<sup>5</sup>), which are expected to be paid in equal quarterly instalments.

### HY24 Results Presentation

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

– Ends –

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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 \$21 billion in total assets under management (as at 31 December 2023) 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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<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, and assumes the average floating rate is based on a BBSW rate of 4.6% over FY24

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

<sup>4</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>5</sup> Based on COF closing unit price of \$1.25 on 14 February 2024

<sup>6</sup> By gross income

<sup>7</sup> Weighted average lease expiry (WALE) by gross income

<sup>8</sup> Includes Heads of Agreement and executed leases

<sup>9</sup> Excludes the right of use asset

<sup>10</sup> JLL research 2023

<sup>11</sup> Gearing is defined as total borrowings less cash divided by total assets less cash

<sup>12</sup> Figures reflect pro forma adjustments for debt repayment and headroom reduction from proceeds of property sales

<sup>13</sup> LVR has not been adjusted to account for the post balance date property settlement

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

<sup>15</sup> COF will account for zero scope 2 emissions by being powered by the equivalent of 100% renewable electricity through a combination of onsite solar and large-scale generation certificate (LGC) deals which match our consumption

<sup>16</sup> COF will focus on the elimination of gas and diesel where practicable from equipment owned and operated by COF. Gas and diesel equipment operated by our tenants are excluded from COF's sustainability target