

## FY22 Financial Results

**SYDNEY** (Tuesday, 2 August 2022) - Centuria Office REIT (**ASX: COF**), Australia's largest listed pure-play office REIT, has announced its Full Year financial results for the period ended 30 June 2022.

## Financial Highlights

- \$115.0m statutory net profit, a 50% increase from FY21
- \$104.9m Funds From Operations (FFO)<sup>1</sup> or 18.2 cents per unit (cpu)
- \$99.0m distributions paid or 16.6 cpu
- \$2.50 per unit Net Tangible Assets (NTA)<sup>2</sup>
- 98.2% average rent collection throughout FY22
- \$257.5m debt refinanced<sup>3</sup>, increased debt maturity to 3.7 years, no debt expiry until FY25
- \$130.5m debt headroom<sup>3</sup>
- FY23 FFO guidance of 15.8 cpu<sup>4</sup>, FY23 distribution guidance of 14.1 cpu<sup>4</sup> (distribution yield of 7.7%<sup>5</sup>)

## Portfolio Highlights

- Portfolio comprises 23 high-quality assets worth \$2.3Bn<sup>6</sup>
- Three strategic acquisitions worth \$313.7m<sup>7</sup>, one divestment worth \$20.9m
- Average building age reduced to 16 years, 90% of portfolio comprises A-Grade assets
- 41,283 sqm leases agreed<sup>8</sup> across 48 deals, (13.6% of portfolio NLA), 17,605 sqm related to new tenants
- Over 120,000sqm of leasing completed since COVID-19 outbreak
- c.77% of leases expire at or beyond FY25
- Portfolio occupancy increased to 94.7%<sup>9</sup>, WALE maintained at 4.2 years<sup>10</sup>
- 79% of rental income derived from government, multinational corporations and listed entities
- \$37.9m like-for-like FY22 valuation uplift, driven by leasing success
- 4.8 Stars NABERS SPI energy rating (by value)

Grant Nichols, COF Fund Manager and Centuria Head of Office said, "COF has generated solid results in FY22, delivering an increased net profit while providing FFO and distributions consistent with guidance despite the impacts of rising interest rates. The most pleasing aspect of the results was the significant amount of leasing that COF continued to execute, with over 40,000sqm leased during FY22. Since the outbreak of COVID-19, COF has leased 120,000sqm, equivalent to 40% of its net lettable area (NLA).

"During FY22, we witnessed a continuous shift in tenant preferences towards better quality accommodation that is close to key transport nodes, providing better commutability and subsequently improved work-life flexibility. COF's young office portfolio lends itself to these leasing preferences, with its modern and sustainable office buildings providing better access to wellbeing amenity, retail and hospitality while offering affordable rents. Australia's strong employment rate and rising return to office corporate policies, provide encouraging tailwinds for tenant demand in FY23."

## Financial Results

Earnings		FY22	FY21
Statutory profit / (loss)	\$m	115.0	76.9
Funds from Operations <sup>1</sup>	\$m	104.9	102.2
Funds from Operations per unit <sup>1</sup>	cpu	18.2	19.9
Distribution per unit	cpu	16.6	16.5
Return on equity <sup>11</sup>	%	7.4	6.0

# Centuria Office REIT (COF)

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Balance sheet		FY22	FY21
Total Assets	\$m	2,410.8	2,068.9
NTA per unit <sup>2</sup>	\$	2.50	2.48
Gearing <sup>12</sup>	%	33.8	33.5

Statutory net profit increased 50% during FY22 to \$115million while Funds from Operations<sup>1</sup> improved to \$104.9million (+2.7%). Distributions of \$99.0million were paid during the period, representing 16.6 cents per unit.

Like-for-like portfolio revaluations as at 30 June 2022 of \$37.9million contributed to NTA of \$2.50 per unit<sup>2</sup>.

Gearing as at 30 June 2022 was 33.8%, with 55.9% of the debt hedged.

COF refinanced<sup>3</sup> \$257.5million of debt and added an additional \$50million of headroom taking its total debt facilities to \$962.5million, across a diversified pool of six lenders. The debt refinancing increased the REIT's weighted average debt maturity from 3.3 years to 3.7 years with no debt tranche expiring until FY25. Despite the increased tenure, there has been no material change to the weighted average debt margin. Debt covenants of a 50% loan to value ratio and 2.0x interest cover ratio apply to the new and extended debt facilities, in line with existing covenants. As at 30 June 2022, COF's loan to value ratio was 35.8% and the interest cover ratio was 6.3x.

### Property Portfolio

Portfolio Snapshot		FY22	FY21
Number of assets		23	22
Book value	\$m	2,335.2	2,014.3
WACR <sup>13</sup>	%	5.58	5.81
Occupancy by gross income	%	94.7	93.1
WALE by gross income	years	4.2	4.3
Leases agreed by area	sqm	41,283	52,077
Average NABERS Energy rating (by value)	stars	4.8	4.7
Average NABERS Water rating (by value)	stars	3.9	3.2
Average building age (by value)	years	16	17

COF benefits from a geographically diversified office portfolio without single market concentration. Throughout FY22, the REIT divested one building for \$20.9million, while acquiring three modern A-Grade assets worth \$313.7million<sup>7</sup>.

Transactions included:

- 101 Moray Street, South Melbourne VIC, acquired for \$205.1million
- 203 Pacific Highway, St Leonards NSW, acquired the remaining 50% interest for \$68.0million
- 57 Wyatt Street, Adelaide SA, development acquired for \$40.2million<sup>7</sup>
- 131 Grenfell Street, Adelaide SA, divested for \$20.9million, 10% above book value

COF's efficient, modern assets have an average building age of 16 years with 90% of the buildings being A-Grade assets and provide an average NABERS energy rating of 4.8-stars. These metrics underpinned strong leasing outcomes during FY22 with 41,283 sqm leased<sup>8</sup> across 48 tenancies, representing 13.6% of portfolio NLA. Around half of these leases related to new tenants (17,605 sqm).

Through proactive asset management, approximately 77% of COF's leases expire at or beyond FY25. Approximately 80% of COF's portfolio income is derived from multinational, listed and government tenants. These quality tenants have delivered an 98.2% average rent collection throughout FY22.

All COF assets were independently valued during FY22, with 12 of the 23 properties being externally valued as at 30 June 2022, resulting in a \$37.9million like-for-like increase across FY22. While leasing success across the COF portfolio drove much of the valuation increase, recent transaction evidence demonstrates deep investor demand for quality metropolitan and near city office property, and strongly supports COF's net tangible assets.

### Sustainability

COF is externally managed by Centuria Capital Group (Centuria) and aligns itself to Centuria's sustainability framework consisting of three core strategies – Conscious of climate change (Environmental), Valued stakeholders (Social) and Responsible business principles (Governance). 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 FY22, Centuria and COF implemented various ESG initiatives, including:

- CPFL Board changes including Elizabeth McDonald being appointed as an Independent Non-Executive Director (NED) and Member of the CPFL Audit, Risk and Compliance Committee and Nicholas Collishaw retiring as a NED
- Belinda Cheung was appointed as COF's Assistant Fund Manager
- Centuria delivered its first Sustainability Report with the second to be released prior to Centuria's 2022 AGM
- New Green Building Council of Australia membership, Diversity Council of Australia continued member
- Adopted disclosures in line with GRI Index across all Centuria listed entities including COF
- Adopted the Task Force on Climate Related Financial Disclosure recommendations with climate change now a standard investment consideration, with adaptation plans being developed across the Centuria portfolio
- Centuria's gender diversity of 41% to 59%, females to males
- 94%<sup>14</sup> of employees enjoy working at Centuria, 96%<sup>15</sup> of tenants are satisfied with Centuria as a landlord
- 1,100+ hours of compulsory employee training for cyber security, and no cyber breaches during FY22

Specific to the environment, over the course of FY22, COF achieved an increased 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, "Throughout FY22, we saw the impact of COVID retreating as more workers returned to the office and employment rates strengthened. However, prevailing inflation, and subsequent rising interest rates, have impacted our FY23 FFO guidance, though we expect COF to have like-for-like net operating income growth through FY23. In making FY23 guidance, we have adopted an interest rate forecast with suitable buffers to manage potential further interest rate volatility<sup>16</sup>. Based on the recent trading price, the FY23 distribution guidance represents a yield of 7.7%<sup>5</sup>."

"We recognise that a rising interest rate environment creates some future uncertainty, but we remain optimistic for Australian office markets. Tenant enquiry levels, backed by strong employment growth, continue to improve with some of the strongest demand evident in metropolitan office markets, while rising construction costs are likely to temper supply. This bodes well for medium term rent growth."

COF provides FY23 FFO guidance of 15.8cpu<sup>4</sup> and distribution guidance of 14.1cpu<sup>4</sup> (distribution yield of 7.7%<sup>5</sup>), which are expected to be paid in equal quarterly instalments.

### FY22 Results Presentation

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

– Ends –

# Centuria Office REIT (COF)

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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 \$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.

<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> NTA per unit is calculated as net tangible assets divided by closing units on issue. Past performance is not a reliable indicator of future performance

<sup>3</sup> Refinancing completed subsequent to 30 June 2022

<sup>4</sup> Guidance remains subject to unforeseen circumstances and material changes in operating conditions

<sup>5</sup> Based on COF closing unit price of \$1.84 on Thursday 28 July 2022

<sup>6</sup> Excludes the right of use asset

<sup>7</sup> Values include the Wyatt Street development's as on completion value

<sup>8</sup> Includes Heads of Agreement (HOA)

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

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

<sup>11</sup> Return on Equity is calculated as closing NTA minus opening NTA plus distributions divided by opening NTA per unit

<sup>12</sup> Gearing is defined as total borrowings less cash divided by total assets less cash

<sup>13</sup> Weighted average capitalisation rate

<sup>14</sup> Centuria Capital Group undertake regular employee engagement surveys. The reported figure is from the Group's FY22 survey

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

<sup>16</sup> Assumed floating rate is based off an average forecast cash rate of 3.0% over FY23