

## FY24 Financial Results

**SYDNEY** (Thursday, 15 August 2024) - 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 2024.

### Financial Highlights

- \$82.2m Funds From Operations (FFO)<sup>1</sup>, 13.8 cents per unit (cpu) FFO in line with guidance
- 12.0 cents distribution per unit (dpu), in line with FY24 guidance
- \$1.80 per unit Net Tangible Assets (NTA)<sup>2</sup>
- Strong liquidity: \$862million refinanced, no debt expiring before FY28, Weighted Average Debt Expiry (WADE) expanded to 4.1 years from 2.1 years
- Covenants renegotiated with no change to margin (LVR increased to 60%; ICR lowered to 1.75x)
- Solid balance sheet: 41.3% gearing<sup>3</sup>, 63% hedged as at 30 June 2024
- FY25 FFO guidance of 11.8 cpu<sup>4</sup>, FY25 distribution guidance of 10.1cpu<sup>4</sup> (distribution yield of 8.1%<sup>5</sup>)

### Portfolio Highlights

- 42,722sqm total leasing activity across 51 transactions (15% of portfolio NLA)<sup>6</sup>
- Addressed significant FY25 expiries (c.5% of portfolio NLA), c.72% of leases expire at or after FY27
- Divested four non-core assets worth \$139m, proceeds used to repay debt
- 6.58% Weighted Average Capitalisation Rate (WACR)
- 19 high-quality assets worth \$1.9bn<sup>7</sup>, 17-year average building age, 93% A-Grade assets,
- 72% of rental income derived from government, multinational corporations and listed entities
- Portfolio occupancy of c.93%<sup>8</sup>, 4.3-year WALE<sup>9</sup>
- 5.0 Stars NABERS SPI energy rating

Belinda Cheung, COF Fund Manager said, "During the period, COF continued to execute significant leasing activity and capital management, against a backdrop of challenging macroeconomic headwinds including a high inflationary and interest rate environment coupled with slow GDP growth. Centuria continued to execute strategies to strengthen COF's balance sheet, including the divestment of non-core assets at an average discount of c.2% to prevailing book values, with proceeds used to repay debt, and \$862million of existing loan facilities refinanced. The refinancing is indicative of strong lender support and underlines the quality of COF's portfolio. Centuria's inhouse management team remained focused on addressing vacancies and near-term expiries to provide reliable income streams for the benefit of unitholders.

Jesse Curtis, Head of Funds Management, added, "We are seeing signs of improving office sector tailwinds with return to office mandates coinciding with limited new office developments and population growth leading to a larger white-collar workforce. Investment in transport infrastructure, such as the Sydney Metro and Brisbane Cross River Rail, will also improve commutability, especially to metropolitan and near city office markets. These tailwinds are expected to positively impact COF's portfolio over the medium term."

### Financial Results

Earnings		FY24	FY23
Funds from Operations <sup>1</sup>	\$m	82.2	93.0
Funds from Operations per unit <sup>1</sup>	cpu	13.8	15.6
Distribution per unit	cpu	12.0	14.1
Statutory profit / (loss)	\$m	(168.7)	(91.9)

Balance sheet		FY24	FY23
Total Assets	\$m	1,977.8	2,311.0
NTA per unit <sup>2</sup>	\$	1.80	2.20
Gearing <sup>3</sup>	%	41.3	38.4

Distributions of 12.0cpu were delivered in line with FY24 guidance and were paid to unitholders in equal quarterly instalments. FY24 FFO of \$82.2million or 13.8cpu were also delivered in line with guidance. FFO has been impacted by the higher debt cost environment and COF's all-in cost of debt has increased compared to recent past periods.

COF continued to demonstrate liquidity with \$862million refinanced, providing \$85.5million pro forma debt facility headroom<sup>10</sup>, a 4.1-year WADE and no debt expiring before FY28. COF maintains strong financier support and a diverse pool of six lenders. At 30 June 2024, gearing was 41.3%<sup>3</sup> and 63.0% of debt was hedged. COF retains sufficient debt covenant headroom with a 2.7 times Interest Coverage Ratio (ICR) (renegotiated covenant 1.75x) and a Loan-to-Value Ratio (LVR) of 43.1%<sup>11</sup> (renegotiated covenant 60%). COF's renegotiated covenants have been secured with no change to margin.

Like-for-like portfolio revaluations reflected a c.\$90million decrease on December 2023 book values, representing a c.4.5% portfolio decline. COF's WACR expanded 37bps during the second half to 6.58%. As at 30 June 2024, COF recorded net tangible assets (NTA) of \$1.80 per unit<sup>3</sup>.

## Property Portfolio

Portfolio Snapshot		FY24	FY23
Number of assets		19	23
Book value	\$m	1,913.1	2,237.4
WACR <sup>12</sup>	%	6.58	6.00
Occupancy by gross income	%	92.5	97.1
WALE by gross income	years	4.3	4.2
Leases agreed by area	sqm	42,722	42,686
Average NABERS Energy rating (by value)	stars	5.0	4.9
Average NABERS Water rating (by value)	stars	4.1	3.9
Average building age (by value)	years	17	17

During FY24, 42,722 sqm was leased across 51 transactions, representing 15% of portfolio NLA<sup>6</sup>. COF retains a staggered lease expiry profile with 72% of leases expiring at or beyond FY27. Since 2020, COF has leased more than 211,000sqm, representing c.77% of NLA.

COF's portfolio occupancy was 92.5%<sup>6</sup> complemented by a 4.3-year WALE<sup>7</sup>. COF's modern office portfolio encompasses 19 high-quality assets worth \$1.9billion, with an average building age of 17 years and 93% of the portfolio comprising A-Grade assets. COF continues to diversify portfolio income risk as no single tenant expiry representing more than 3% of portfolio income, with 72% of portfolio rental income coming from government, multinational corporations and listed entities.

## Value-add Initiatives

COF has proven capability in active management and repositioning of several assets, including:

- 818 Bourke Street, Docklands Vic: Centuria has secured a conditional 10-year lease with ResetData for an edge data centre of up to 1.5 megawatts in using proprietary Liquid Immersion Cooling (LIC) technology (July 2024)<sup>13</sup>. Further opportunities for ResetData's edge data centres are being explored across COF's portfolio to address vacancies and near-term expiries.
- 825 Ann Street, Fortitude Valley Qld: Upgraded meeting spaces and End-of-Trip facilities secured new lease agreements across 2,760sqm, resulting in c.6% average rental growth.
- 154 Melbourne Street, South Brisbane Qld: Refurbished foyer, upgraded End-of-Trip facilities and lease to a Centuria managed flexible coworking space, Centuria Cirque, resulting in 100% occupancy and c.5% average rental growth.

### Capital Transactions

COF divested four non-core assets for \$139million during the period, at an average discount of c.2% to prevailing book values. Divestments included:

- 35 Robina Town Centre Drive, Robina QLD for \$40million, reflecting a c.5% discount to the 31 December 2022 book value.
- 54 Marcus Clarke, Canberra ACT for \$23million, reflecting a c.1.7% discount to its 31 December 2022 book value.
- 1 Richmond Road, Keswick SA for \$38.3million, reflecting a c.4% discount to its 31 December 2023 book.
- 555 Coronation Drive, Toowong QLD for \$37.35million, consistent with the asset's book value.

### 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.

During FY24, implemented ESG initiatives specific to COF included:

- c.260kW of solar installed across two COF assets<sup>14</sup>, increasing total installed capacity for COF to c.1,400kW<sup>15</sup>
- Commenced electrification across 50,000sqm of NLA (two assets)
- 5.0 star NABERS Energy Sustainable Portfolio Index rating for COF (increased from 4.9 Stars in FY23)
- 2 Phillip Law St (Nishi) achieved a 6 star NABERS energy rating (previously 5.5 stars)
- Targeting zero scope 2 GHG emissions by 2028<sup>16</sup>
- Targeting no gas and diesel in operations where practicable by 2035<sup>17</sup>

Throughout FY24, Centuria implemented various ESG initiatives, including:

- 452 hours volunteered in Australia and New Zealand and over \$112,000 raised for community groups<sup>18</sup>
- Over 9,000 training courses completed by all Centuria employees across cybersecurity, compliance competencies, risk and safety

Centuria's sustainability report and climate-related disclosures expected to be released by November 2024.

### Summary and Outlook

COF provides FY25 FFO guidance of 11.8 cpu<sup>4</sup> and distribution guidance of 10.1 cpu<sup>4</sup> (distribution yield of 8.1%<sup>4</sup>), which are expected to be paid in quarterly instalments.

FY25 FFO guidance takes into consideration:

- Reduction of income from non-core divestments with proceeds used to repay debt;
- Prudent downtime assumptions for known existing vacancies and expiries within the portfolio; and
- Higher expected debt costs over FY25.

Ms Cheung concluded, "During FY24, COF has executed its strategy through strong leasing activity, non-core divestments and debt refinancing. Despite these outcomes, the overall office market continues to experience challenging conditions. Accordingly, COF's FY25 guidance takes into consideration reduced income from divestments, prudent forecast leasing assumptions and ongoing impacts from a prolonged, higher interest rate environment.

"Looking ahead, we maintain an optimistic outlook on the medium term trends for the office sector. Overall office supply is expected to diminish, caused by rising economic rents that are materially above the prevailing rents in most Australian office markets, including those where COF's portfolio is situated. This outcome is impacting new and existing office feasibilities as well as projected replacement costs above COF's current and implied portfolio values."

### FY24 Results Presentation

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

– Ends –

# Centuria Office REIT (COF) ASX Announcement

# Centuria

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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 \$21.1 billion in total assets under management (as at 30 June 2024) 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

<sup>3</sup> Gearing defined as total borrowings less cash divided by total assets less cash.

<sup>4</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 4.4% over FY25

<sup>5</sup> Based on COF closing unit price of \$1.24 on 12 August 2024

<sup>6</sup> Includes Heads of Agreement and executed leases

<sup>7</sup> Excludes the right of use asset

<sup>8</sup> By gross income

<sup>9</sup> Weighted average lease expiry (WALE) by gross income

<sup>10</sup> Figures reflect pro forma adjustments for debt repayment and headroom reduction from proceeds of property sales

<sup>11</sup> LVR has not been adjusted to account for the post balance date property settlement

<sup>12</sup> Weighted average capitalisation rate

<sup>13</sup> Subject to electricity provider's finalisation of gross power availability to the building and conditional on local planning approval.

<sup>14</sup> Solar installed at 46 Collins St, West Perth WA and 45 Francis St, Northbridge WA

<sup>15</sup> Excluding solar installations by our tenants and solar installed on assets divested in FY24

<sup>16</sup> COF will account for Zero Scope 2 emissions by being powered by the equivalent of 100% renewable electricity through a combination of on-site solar and large-scale generation certificate deals which match our consumption

<sup>17</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 is excluded from COF's sustainability target

<sup>18</sup> Corporate donations and employee fundraising from Australian and New Zealand activities, including Centuria Bass