

ASX Announcement – Australian Unity Office Fund

28 February 2022

HY22 financial results

Australian Unity Investment Real Estate Limited (AUIREL), as Responsible Entity of Australian Unity Office Fund (ASX: AOF), today announced AOF's half year 2022 (HY22) financial results.

Key financial and operational highlights for HY22 included:

- Funds from Operations (FFO¹) of \$15.6 million, or 9.5 cents per unit, an increase of 3.2% from HY21 driven by fixed rent reviews and increased occupancy
- Distributions of \$12.5 million, or 7.6 cents per unit in line with full year guidance
- Occupancy of 96.9%, a 1.2% increase from 30 June 2021. Over 4,500 sqm, representing approximately 5% of the portfolio by net lettable area, was leased during the half year
- Net tangible assets of \$2.67 per unit, a net decrease of 4 cents per unit, from \$2.71 per unit at 30 June 2021, with the decrease reflecting the revaluation of 150 Charlotte Street Brisbane
- 32 Phillip Street Parramatta sold for \$66.0 million, a 5% premium to the 30 June 2021 independent valuation of \$62.75 million
- 96 York St, Beenleigh acquired for \$33.52 million; settlement occurred on 25 February 2022
- Gearing reduced to 21.1%², with \$131.3 million of debt drawn at 31 December 2021 against a total debt facility of \$250 million. Following the settlement of 96 York St, Beenleigh, drawn debt increased to \$167.3 million and gearing currently ~26%
- FY22 FFO guidance of 18.0 – 18.5 cpu and distribution guidance of 15.2 cpu is confirmed³. Distributions of 15.2 cpu equates to a yield of approximately 6.1%⁴

AOF remains committed to maximising unitholder returns and is presently assessing three options:

1. Deliver refurbishments and repositioning opportunities, while maintaining strong occupancy from multi-tenanted assets.
 - The major tenant lease expiry profiles at 10 Valentine Avenue, 30 Pirie Street and 150 Charlotte Street provide a once in a generation opportunity to refurbish and reposition well located assets, to create core landmark properties

¹ FFO is a Property Council of Australia definition which adjusts statutory Australian Accounting Standards net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives and leasing costs, rental straight-line adjustments to financial instruments and other unrealised or one-off items

² Gearing is interest bearing liabilities (excluding unamortised establishment costs) less cash divided by total tangible assets less cash

³ Subject to no material change in market conditions, no material change to the portfolio and no unforeseen events

⁴ Based on 25 February 2022 closing unit price of \$2.50

Issuer:

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2. Divest some or all assets and return capital to unitholders.
 - Submissions have been received from real estate agents and are being assessed to determine if value may be maximised through the sale of one or more assets
 - AOF expects to appoint agents in the week commencing 7 March 2022 to solicit sale proposals
3. Consider a portfolio sale via a corporate transaction.
 - Inbound enquiries have been received with Highbury Partnership engaged as adviser to AOF
 - Engagement with several parties has already commenced, with confidentiality agreements signed and information being provided to enable parties to assess if a proposal for AOF or its assets could be put forward

Nikki Panagopoulos, AOF Fund Manager said:

“The AOF portfolio has performed well over the period, with funds from operations increasing 3% to 9.5 cents per unit, underpinned by a 1.2% increase in occupancy to 96.7%. Full year guidance of 18.0–18.5 cpu and distribution guidance of 15.2 cents per unit is reaffirmed.

“During the half year, 32 Phillip St Parramatta was sold for \$66.0 million, enhancing portfolio construction. The sale price was at a 5% premium to the 30 June 2021 independent valuation of \$62.75 million.

“AOF acquired 96 York St, Beenleigh for \$33.52 million, with 86% of the property leased to the City of Logan for 10 years including contractual rent increases, underpinning the asset’s future income.

“Multi-tenanted properties continue to perform well, providing sustainable income. Upcoming expiries between June 2022 and June 2024 for AOF’s three largest tenants, provide an opportunity to refurbish and reposition those assets. We are also assessing the potential divestment of some or all assets and returning capital to unitholders, as well as assessing a portfolio sale via a corporate transaction.

“We remain focused on maximising unitholder returns and will continue to keep investors updated.”

END

Authorised by:
AUIREL Disclosure Committee

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About AOF

AOF is an ASX-listed REIT that wholly owns a diversified portfolio of properties located across Australian metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra.

This announcement is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368 AFSL 477434 (AUIREL) as Responsible Entity of Australian Unity Office Fund. AUIREL is owned equally by subsidiaries of Australian Unity Limited ABN 23 087 648 888 and Keppel Capital Holdings Pte Ltd CRN 201302079N, the asset management arm of Singapore-based Keppel Capital Limited CRN 196800351N.

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