

HY21 Financial Results

SYDNEY (Thursday, 4 February 2021) - Centuria Property Funds Limited (**CPFL**), as Responsible Entity of Centuria Office REIT (**ASX: COF**), has announced its interim financial results for the period ended 31 December 2020.

HY21 Financial Highlights

- Funds from operations (FFO) of \$57.7 million, with FFO per unit of 11.2 cents per unit (cpu) ¹
- FY21 FFO guidance provided of between 19.4 – 19.9 cpu²
- Net Tangible Assets (NTA) of \$2.45 per unit³
- Pro-forma gearing of 33.2%^{4,5}, with undrawn debt capacity increased to \$175.7 million⁴
- Rent collections for the period July - December 2020 averaged 96.7%⁶
- HY21 distributions per unit (DPU) of 8.3 cpu, in line with guidance²
- FY21 DPU guidance reiterated at 16.5 cpu, reflecting a distribution yield of 8.5%⁷

HY21 Portfolio Highlights

- Leases agreed⁸ for 31 lease transactions, totalling more than 28,306 sqm (9.3% of portfolio NLA)
- 465 Victoria Avenue, Chatswood sold for \$44.7 million (25% interest), \$2.8 million above prior book value
- Over 80% of total portfolio income is derived from government, listed and multinational tenants
- Staggered lease expiry, with 57% of the portfolio's leases to expire at or beyond FY25
- Portfolio occupancy⁹ of 91.5%; WALE¹⁰ of 4.5 years

Grant Nichols, COF Fund Manager, commented, "COF delivered a robust performance in HY21, completing a significant amount of leasing across the portfolio while maintaining high rent collections. COF also reduced gearing through the COVID-19 affected period. Resilient operating performance has enabled COF to provide forecast FY21 FFO^{1,2} guidance range of 19.4 – 19.9 cents per unit. COF also re-affirmed its FY21 distribution guidance of 16.5 cents per unit, which equates to a strong distribution yield of 8.5%⁷."

HY21 Financial Results

Earnings		HY21	HY20
Statutory profit / (loss)	\$m	21.5	24.7
Funds from Operations ¹	\$m	57.7	39.0
Funds from Operations per unit ¹	cpu	11.2	9.6
Distribution per unit	cpu	8.3	8.9
Return on equity ¹¹	%	2.0	11.2

Balance sheet		PRO-FORMA ⁴	HY21	FY20
Total Assets	\$m	2,058.8	2,103.5	2,119.3
NTA per unit ³	\$	2.45	2.45	2.49
Gearing ⁴	%	33.2	34.6	34.5

Statutory net profit for HY21 was \$21.5 million, with Funds from Operations¹ of \$57.7 million or 11.2 cpu, and distributions of 8.3 cpu. Distributions were in line with FY21 guidance and have been paid to unitholders in equal quarterly instalments.

Due to the high quality tenant covenants that underpin the portfolio, COF continued to demonstrate resilience throughout the COVID-19 affected period. COF's portfolio rent collection averaged more than 96%⁶ from July 2020 to December 2020. Provided rent relief, both waivers and deferrals, totalled c.\$2.6 million for HY21, an annualised reduction of c.50% from the rent relief provided in relation to Q4 FY20 (\$2.5m).

Like for like portfolio revaluations throughout HY21 reduced \$17.0 million, contributing to an NTA³ of \$2.45 per unit.

COF strengthened its balance sheet during HY21, with gearing reducing to 33.2%^{4,5} and undrawn debt capacity increasing to \$175.7 million⁴. The reduction in gearing further increased COF's significant covenant headroom with an interest coverage ratio of 7.6x⁴ (covenant 2.0x) and loan to value ratio of 36.8%⁴ (covenant 50%). COF maintains a staggered debt maturity profile with five high quality financiers, a weighted average debt maturity of 2.8 years and a competitive all in debt cost of approximately 2.3%^{4,12}.

Property Portfolio

Portfolio Snapshot		HY21	FY20
Number of assets		23.0	23.0
Book value	\$m	2,032.4	2,063.4
WACR	%	5.9	5.9
Occupancy by income	%	91.5	98.1
WALE by gross income	years	4.5	5.1
Leases agreed by area	sqm	28,306	32,378
Average NABERS energy rating (by value)	Stars	4.8	4.7
Average NABERS water rating (by value)	Stars	4.0	3.9
Average building age (by value)	years	16.4	15.3

Despite the challenging operating conditions, COF completed a significant amount of leasing activity. During HY21, COF completed 31 separate lease transactions, with leases agreed⁶ for 28,306 sqm, representing 9.3% of portfolio NLA. Of the agreed deals, 10,791 sqm related to new tenants entering COF's portfolio across 17 separate deals. The balance related to tenant renewals.

Occupancy⁹ at 31 December 2020 was 91.5%. Occupancy decreased 6.6% compared to 30 June 2020 due to the Infosys expiry at 818 Bourke Street, Melbourne and Foxtel surrendering its lease at 35 Robina Town Centre Drive, Robina, QLD – as previously announced. Under this agreement, COF received a surrender payment equivalent to the rent payable for the remainder of Foxtel's lease term, discounted to June 2020. This surrender provides an opportunity to utilise Centuria's strong leasing capabilities to reposition the asset, maximising the benefit of the surrender payment received. Pleasingly, and due to leasing completed, occupancy⁹ at 35 Robina Town Centre, Robina increased to 36.1% during HY21.

COF's Weighted Average Lease Expiry (WALE)¹⁰ as at 31 December 2020 was 4.5 years. COF's portfolio provides a staggered expiry profile with 57% of leases expiring at or beyond FY25. Notably, COF's portfolio income is derived from high quality tenant covenants, with more than 80% of income coming from government, listed or multinational tenants. More than 25% of income is derived from government tenants with the Federal Government representing almost 15% of portfolio income. Despite the significant exposure to large corporations and government tenants, the COF portfolio remains very diversified, with no single tenancy representing more than 7% of portfolio income.

As at 31 December 2020, 13 of the 23 assets, representing 59% by value, were independently revalued resulting in a marginal, decreased portfolio value of approximately \$17m¹³ or 0.8%, compared to the preceding book value. The decrease in value was primarily the result of valuers adopting lower growth rates, with increased downtime and incentives. The weighted average capitalisation across the portfolio was broadly unchanged at 5.90%.

Capital Transactions

During HY21, COF entered an unconditional contract for the sale of its 25% interest in 465 Victoria Avenue, Chatswood NSW. The sale price of \$44.7 million is above the 30 June 2020 book value of \$41.9 million. The sale unwinds COF's only minority interest in an asset. Settlement occurred post balance date on 1 February 2021.

The sale of 465 Victoria Avenue was consistent with the broader market, as there was an increase in transactional activity in the second half of 2020. Several capital transactions demonstrated robust investment demand for quality Australian office property. A number of these transactions occurred in metropolitan markets, with investors attracted to the relative affordability and accessibility these markets provide to tenants.

Environmental, Social and Governance (ESG)

Over the course of 2020, COF sought to enhance energy and water efficiency, delivering improved 2020 NABERS Energy and Water ratings of 4.8 Stars and 4.0 Stars, respectively. Furthermore, COF continues to expand the adoption of renewable energy sources, with the rollout of solar projects across the portfolio such that 26% of assets now produce solar electricity.

Summary & Outlook

Grant Nichols, COF Fund Manager, said, "The portfolio performed well throughout HY21, generating solid leasing activity, strong cash receipts and maintaining WALE. This performance can be credited to the portfolio being underpinned by high quality tenants and assets offering affordable rents in locations that resonate well with tenants at a time when operating costs are scrutinised and workforces' preferences show a trend towards working closer to home. Additionally, COF benefits from a relatively young asset portfolio with the average building being 16.4 years. Younger generation stock will assist with attracting and retaining tenants while providing limited overall capital expenditure and maintenance requirements.

With a geographically diversified portfolio of quality, highly connected assets offering affordable office space and exposure to Australia's better performing office markets, COF is well placed to benefit from the improving outlook for Australian office markets and continue delivering quality income streams to unitholders.

The improving outlook for the Australian economy, underpinned by significant government stimulus, should translate into solid white collar employment growth throughout 2021. With many tenants recognising the productivity and employee engagement benefits from being located in a central workplace, we expect that Australian office leasing conditions will continue to improve."

COF provides FY21 FFO guidance of 19.4-19.9 cents per unit and reiterates FY21 distribution guidance of 16.5 cents per unit paid in equal quarterly instalments and reflecting a current yield of 8.5%⁷.

HY21 Results Presentation

A playback of HY21 results webcast will be made available on COF'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 assets situated in core office markets 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). CPFL, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with \$10.2 billion 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

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- 1 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
 - 2 Guidance remains subject to unforeseen circumstances and material changes in operating conditions
 - 3 NTA per unit is calculated as net assets less goodwill divided by closing units on issue
 - 4 Adjusted to include the proceeds from the sale of 465 Victoria Avenue, Chatswood NSW
 - 5 Gearing is defined as total borrowings less cash divided by total assets less cash and goodwill
 - 6 Included within the outstanding rent is agreed and pending rent relief claims related to the National Code of Conduct on Commercial Leases As COVID-19 impacts and the National Code of Conduct on Commercial Leases remains active, it is possible further rent relief claims could be received for the April 2020 to June 2020 period
 - 7 Based on COF closing price of \$1.95 per unit on 3 February 2021
 - 8 Includes Heads of Agreement (HOA)
 - 9 Occupancy by gross income
 - 10 WALE by gross income
 - 11 Calculated as closing NTA minus opening NTA plus distributions divided by opening NTA
 - 12 Effective interest rate as at 31 December 2020 includes floating rate, all-in margin (base and line fees) and fixed interest costs under existing swaps (excludes capitalised borrowing costs)
 - 13 Refer to ASX release 'COF External Revaluations' (dated 14 January 2021)