



10 Valentine Avenue Parramatta, new entry and lobby, artist's impression, subject to change

Australian Unity Office Fund 2024 Half Year Results

February 2024

(ASX: AOF)

Webcast | Teleconference



Acknowledgement of Country

We acknowledge the traditional owners of the lands and waters within Australia and recognise the important connection to Country that Aboriginal and Torres Strait Islander People have.

Overview and Agenda

1. Strategy
2. Portfolio review
3. Financial results
4. Outlook and Guidance
5. Appendices

Strategy

Delivering on strategy

Portfolio update

96 York Street, Beenleigh was sold for \$29.70 million, with the contract exchanged in January 2024 and settlement in the coming months

All remaining assets were independently revalued with the weighted average capitalisation rate 7.13%

NTA \$1.72 per unit at 31 December 2023

Distributions

September 2023 quarter 1.30 cpu

December 2023 quarter 1.50 cpu

March 2024 quarter guidance 1.50 cpu

Refurbishments

10 Valentine Avenue, Parramatta refurbishment works are well progressed with completion expected April 2024

150 Charlotte Street Brisbane refurbishment plans finalised, design documentation underway and contractor engagement progressed

Capital Management

\$5 million of debt drawn at 31 December 2023

The drawn debt is expected to be repaid from the settlement proceeds of 96 York Street, Beenleigh, with the balance held as cash. Post settlement, the debt facility limit is expected to reduce from \$81 million to \$60 million

Investment objective

AOF's investment objective is to maximise returns for unitholders through:

- owning Australian real estate assets in metropolitan and CBD markets
- generating income by delivering and maintaining sustainable occupancy levels, including through repositioning assets
- as appropriate, divesting assets and returning capital to unitholders



Property Portfolio¹

All assets were independently valued at 31 December 2023¹ with the capitalisation rate expanding to 7.13% and an NTA of \$1.72 per unit

Market	Property	State	Independent Valuation (\$'m)	Capitalisation rate (%)	NLA ² (sqm)	Value \$/sqm	WALE ³ (years)	Occupancy (by NLA)	At 30 June 2023	
									Independent Valuation (\$'m)	Capitalisation rate (%)
Parramatta	2 & 10 Valentine Ave, Parramatta ⁴	NSW	95.50	7.00%	15,594	6,124	0.0	0.0%	104.75	6.25%
Melbourne Fringe	468 St Kilda Rd, Melbourne	VIC	70.00	6.50%	11,211	6,244	3.6	83.5%	78.00	6.13%
Brisbane CBD	150 Charlotte St, Brisbane	QLD	62.00	8.00%	11,109	5,581	0.7	99.3%	66.25	7.13%
Canberra CBD	64 Northbourne Ave, Canberra	ACT	27.45	7.50%	6,375	4,306	1.5	98.5%	29.50	7.00%
Total (T) / Weighted Average (W)			254.95 (T)	7.13% (W)	44,289 (T)	5,756 (W)	1.7 (W)	60.2% / 93.0%⁵ (W)	278.50	6.50%

Notes:

- All information is as at 31 December 2023 unless otherwise stated. Property portfolio Information excludes 96 York Street, Beenleigh which was held for sale at 31 December 2023 and not independently revalued at 31 December 2023
- NLA means net lettable area
- WALE means weighted average lease expiry in years, by gross property income
- 2 & 10 Valentine Ave, Parramatta are on a single title with 10 Valentine Ave comprising a 14-level office building with basement parking for 25 cars; and 2 Valentine Ave comprising an adjacent six level car park for a total of 282 cars. The independent valuation of 10 Valentine Ave is \$81.50 million and 2 Valentine Ave is \$14.00 million. The capitalisation rate at 31 December 2023 of 10 Valentine Ave is 7.00% and 2 Valentine Ave is 6.50%. The capitalisation rate at 30 June 2023 of both 10 Valentine Ave and 2 Valentine Ave was 6.25%.
- 60.2% for all assets; 93.0% excluding asset under refurbishment (being 10 Valentine Ave, Parramatta)

10 Valentine Avenue, Parramatta



Refurbishment Update

- The refurbishment works to upgrade the property and introduce a new state of art end of trip, lobby and enhanced entry off Valentine Avenue, are well underway with 65% of the project completed
- Works are anticipated to be finalised as follows:
 - on floor tenancy works completed
 - end-of-trip, lobby works and new entry April 2024
 - services upgrade and minor external works by June 2024



Leasing Update

- 10 Valentine Avenue is 100% vacant with the marketing information memorandum showcasing the leasing opportunity post completion of the refurbishment works published online
- 2 Valentine Avenue (the adjoining carpark), has 94 car parking bays licenced to the NSW Government for a 5 year term, with an additional 19 under a monthly licence. The remaining car parking bays are licenced to Secure Parking with flexibility to take back the bays for future 10 Valentine Avenue tenants



Market Update

Parramatta Market Fundamentals¹

- Vacancy rate 24.2%, with ~7,000 sqm of net absorption during the December 2023 quarter
- Prime yields currently sit between 5.88% to 7.25% with secondary between 6.50% to 7.50%

2 Valentine Avenue Parramatta – Potential Alternate Uses

2 Valentine Avenue, Parramatta is currently a car park. Potential alternate use strategies are detailed below¹

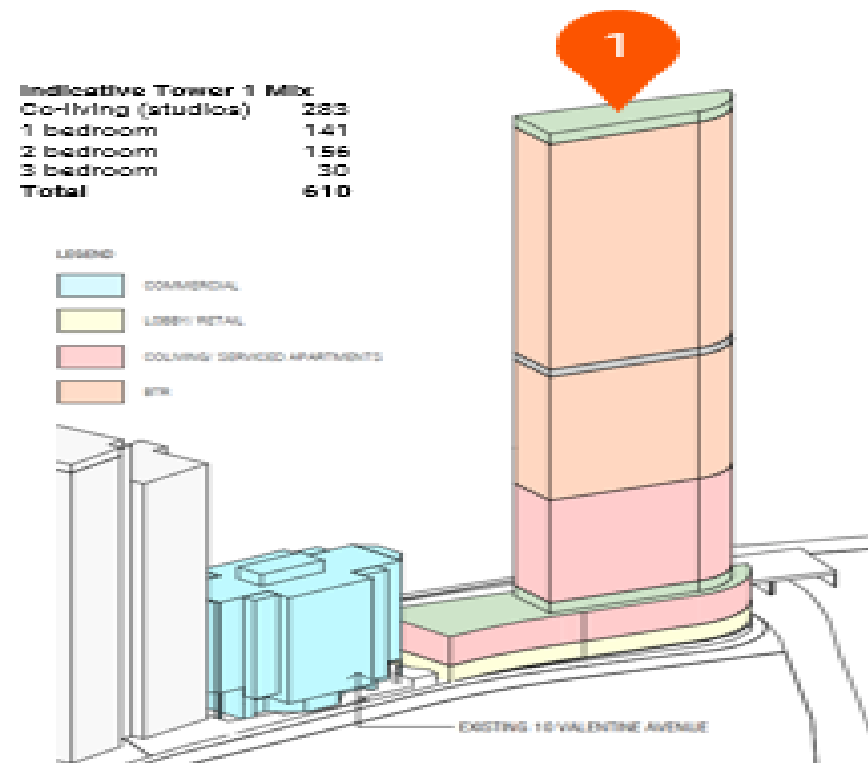


Existing development approvals – creating Valentine Place

- Valentine Place provides an opportunity to create a precinct of ~48,000 sqm of net lettable area of A grade office cementing the southeast corridor of Parramatta’s central business district
- Development approvals received to:
 - build a 28,000 sqm office tower at 2 Valentine Avenue
 - reclad and extend the floor plates at 10 Valentine Avenue by a total of ~5,000 sqm to a maximum of ~20,000 sqm
 - integrate 2 and 10 Valentine Avenue by an enhanced ground floor lobby and podium

Potential alternate use – build to rent

- Opportunity to reposition 2 Valentine Avenue to build to rent via a design competition planning process with the Government Architect of NSW, with the process being progressed
- The competition process is expected to conclude late-April 2024. A State Significant Development Application will need to commence thereafter
- The proposal will consist of a maximum allowable Gross Floor Area of ~37,000 sqm on the southern end of the site and may elect to pursue the State’s newly released affordable housing incentive. This consists of an additional 30% in residential Floor Space Ratio and height, in exchange for a 15% affordable housing provision.
- Key features of the proposal include:
 - high quality build-to-rent and co-living apartments (studios, one, two and three bedrooms) and associated communal areas
 - retail and lobby floorspace in the lower levels
 - basement parking (also replacing the existing carparking for 10 Valentine Avenue)



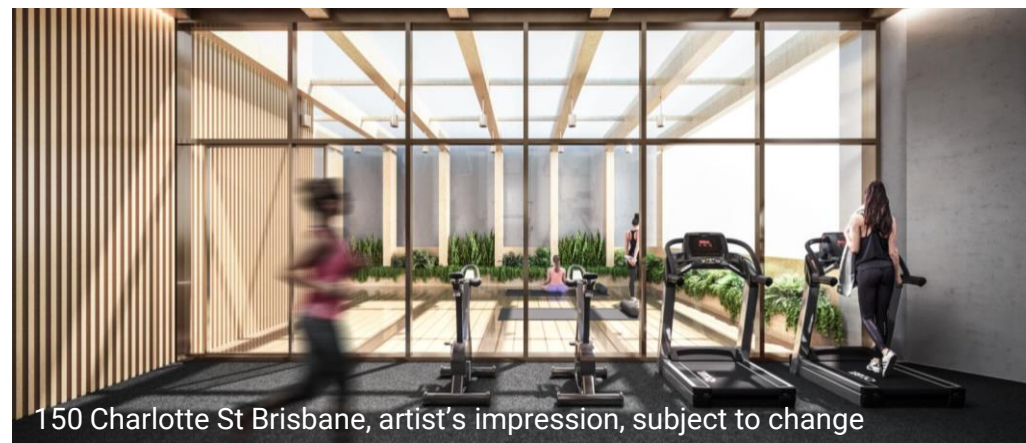
2 Valentine Avenue Parramatta, artists impression, subject to change

150 Charlotte Street Brisbane



Refurbishment Update

- Concept plans for the refurbishment works enhancing the ground floor amenity, including the introduction of third space, podium level, end of trip, meeting rooms and wellness centre have been finalised and detailed design is progressing
- The tender process has been concluded and early contractor involvement with the preferred contractor has commenced
- Target completion dates are mid 2024 for the end-of-trip, wellness centre and podium, with the lobby upgrade and external façade estimated in the September 2024 quarter

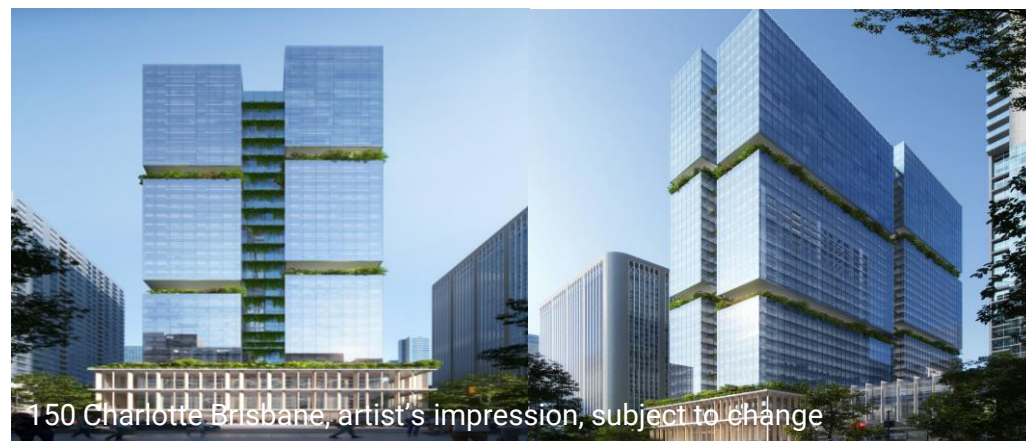


Leasing and Market Update

- Currently 99.7% occupied
- A new short-term lease over two floors commencing 1 July 2024 has been agreed with Boeing Defence Australia.

Brisbane CBD Market Fundamentals¹

- Total vacancy as at December 2023 is 11.1% down from 13.9% over the last 12 months
- Net absorption for calendar year 2023 was 40,534 sqm
- Prime yields 5.50% to 7.00%



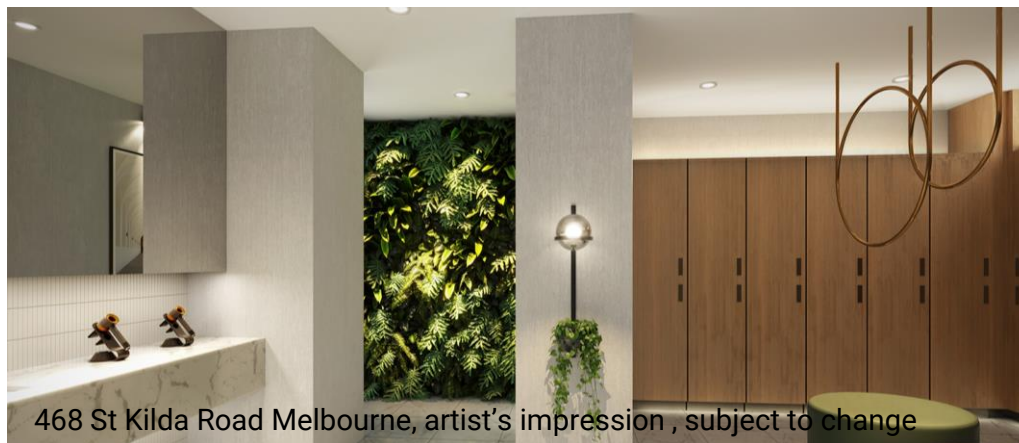
Potential alternate uses – amalgamate with nearby buildings and build to rent²

- An opportunity exists, subject to council approval, for an office redevelopment which would increase the site area by 65% with current planning regulations allowing for the height to be increased to ~170 metres. This would result in ~36,000 sqm of total net lettable area - an additional ~25,000 sqm
- Alternatively, and concurrently with the refurbishment strategy, a concept design for up to ~40,000 sqm build to rent development is being progressed. Concept design and feasibility analysis to be completed

468 St Kilda Road Melbourne



468 St Kilda Road Melbourne, artist's impression, subject to change



468 St Kilda Road Melbourne, artist's impression, subject to change

Refurbishment Update

- Concept plans to refurbish, the entry, lobby, introducing new third space, including meeting rooms and a repositioned and upgraded end of trip are underway
- Speculative fit concept plans are underway to drive leasing opportunities and achieve enhanced leasing outcomes

Leasing and Market Update

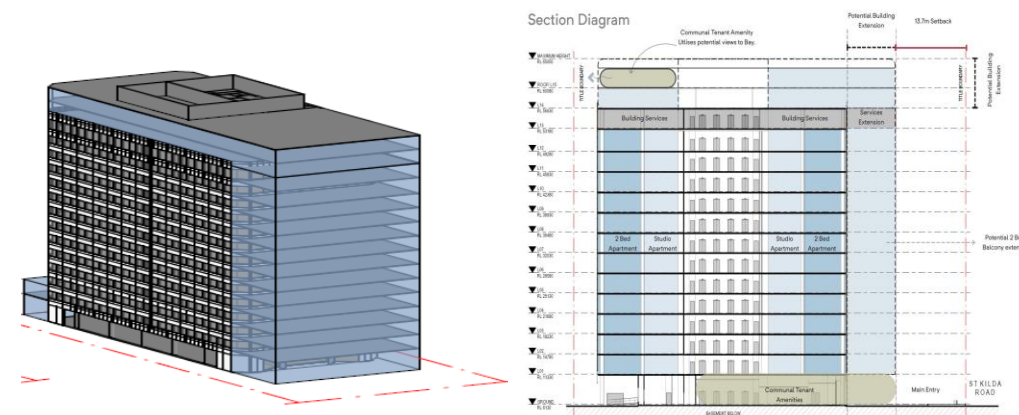
- Currently 83.5% leased with a weighted average lease expiry of 3.6 years at 31 December 2023

St Kilda Road Market Fundamentals¹

- Direct vacancy rate 18.4% at 31 December 2023 with negative net absorption of ~24,000 sqm during the last 6 months

Potential alternate use – build to rent²

- A concept design for a build to rent proposal is being progressed, investigating both re-purposing the existing concrete structure, with additional levels and extended floor plates, in addition to a complete demolition and rebuild.
- The site would yield ~18,000 to ~21,000 sqm of Gross Floor Area respectively - approximately 350 apartments with communal amenity. Concept Design Completion is anticipated in March 2024.



468 St Kilda Road Melbourne, artist's impression, subject to change

64 Northbourne Avenue Canberra



Refurbishment Update

- Located on a prominent corner in the Canberra CBD within the prime retail precinct, and near the City Bus Interchange and the main station of the Canberra Light Rail Network
- Concept plans are underway to refurbish the ground floor lobby, creating an integrated café and third space amenity



Leasing and Market Update

- Occupancy remains high at 98.5%

Canberra CBD Market Fundamentals¹

- Canberra vacancy rate is the lowest nationally
- Vacancy rate 8.3%, as at 31 December 2023, well below the 10-year average of 11.1%
- Prime yields 6.00% to 7.50%



Potential alternate use strategy – mixed use development or site amalgamation²

- Opportunity exists to introduce a ~12,000sqm to ~14,000sqm mixed use development, subject to council approval
- Zoning within the city centre allows for various uses, including build to rent, residential, retail and hotel uses
- Feasibility analysis to determine best and highest use for the site, likely being, build to rent or refurbishment of the existing office asset is progressing
- Potential site amalgamation offers additional redevelopment options

Financial and Capital Management¹ – Half Year Ended December 2023

FFO per unit	4.0 cpu	FFO reflects refurbishment of 10 Valentine Avenue, Parramatta which was vacant during the half year
Distributions per unit	2.8 cpu	Distributions of 2.8 cpu for the half year, with 1.5 cpu guidance for the March 2024 quarter
NTA	\$1.72 per unit	All assets independently valued at 31 December 2023, except 96 York Street, Beenleigh which was held for sale
Debt	\$5 million	\$5 million of debt drawn at 31 December 2023. The drawn debt is expected to be repaid from the settlement proceeds of 96 York Street, Beenleigh, with the balance held as cash. Post settlement, the debt facility limit is expected to reduce from \$81 million to \$60 million. The debt facility expires in March 2025
Gearing²	0.3%	At 31 December 2023 interest cover ratio was 9.2 times against a minimum 2.0 times covenant and Loan to Value ratio was 1.7% against a 50% maximum covenant

1. As at 31 December 2023, unless otherwise stated

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

Outlook and Guidance

Guidance

Distribution guidance¹ of **1.50 cpu for the March 2024 quarter**

Distribution guidance¹ will be provided on a quarterly basis

Outlook

Deliver on leasing and occupancy outcomes including progressing the refurbishments

Continue proactive approach to portfolio construction, asset sales and active asset management

Focus on **maximising returns** for unitholders

1. Distribution guidance is subject to no material change in AOF's portfolio, no material change in current market conditions and no unforeseen events





Appendices

Income Statement

\$'000	HY2024	HY2023	Change	Note
Rental income ¹	11,887	23,229	(11,342)	i
Property expenses	(4,056)	(6,418)	2,362	i
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	(1,151)	(1,896)	745	i
Net property income	6,680	14,915	(8,235)	i
Interest income	105	34	71	
Net (loss)/gain on financial instruments held at fair value through profit or loss	(249)	(810)	561	ii
Net fair value decrement of investment properties	(30,830)	(5,775)	(25,055)	iii
Disposal costs	-	(1,506)	1,506	iv
Management fees	(947)	(1,625)	678	i
Borrowing and other related costs	(426)	(2,916)	2,490	i
Other expenses	(725)	(1,338)	613	v
Profit / loss for the year	(26,392)	979	(27,371)	

i. Reduction in net property income, management fees and borrowings reflects the sale of three assets during FY2023, with the sale proceeds used to repay debt and fund a special distribution

ii. The net (loss)/gain reflect unrealised mark to market movement in the value of the interest rates swaps

iii. All assets were revalued at 31 December 2023, except 96 York Street, Beenleigh which was held for sale

iv. HY2023 reflects costs associated with the disposal of 30 Pirie Street, Adelaide and 2 Eden Park Drive, Macquarie Park

v. HY2023 includes costs associated with assessing options to maximise returns for unitholders including corporate transactions

1. Rental income excludes the impact of straight lining of rental income and amortisation of leasing commissions and amortisation of tenant incentives

Balance Sheet

\$'000	31 Dec 2023	30 June 2023	Change	Note
Assets				
Cash and cash equivalents	4,179	43,864	(39,685)	i
Financial assets held at fair value through profit or loss	2,107	2,356	(249)	
Receivables	1,536	899	637	
Other assets	433	707	(274)	
Property held for sale	29,700	-	29,700	ii
Investment Properties	254,950	310,400	(55,450)	iii
Total Assets	292,905	358,226	(65,321)	
Liabilities				
Distributions Payable	2,466	41,096	38,630	iv
Payables	2,812	3,508	696	
Borrowings	5,000	0	(5,000)	i
Total Liabilities	10,278	44,604	34,326	
Net assets	282,627	313,622	(30,995)	
Number of units on issue (thousand)	164,383	164,383	0	
Net Tangible Assets per unit	\$1.72	\$1.91	(0.19)	v

i. The cash balance at 30 June 2023 was used to fund a special distribution (paid 27 July 2023)

ii. 96 York Street, Beenleigh was held for sale at 31 December 2023

iii. All investment properties were revalued at 31 December 2023, other than 96 York Street, Beenleigh which was held for sale

iv. 30 June 2023 reflects a special distribution of 22.5 cents per unit (cpu) and ordinary distribution of 2.5 cpu.

31 December 2023 reflects an ordinary distribution of 1.50 cpu

v. The movement in the NTA reflects the independent revaluations of the assets

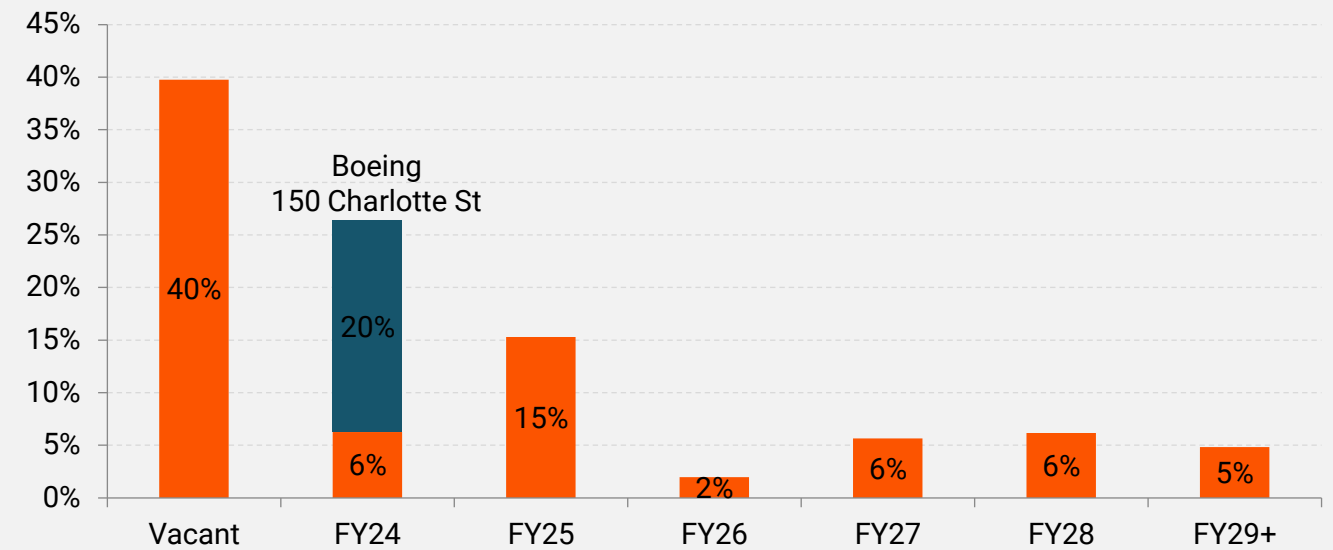
Property Portfolio

As at 31 December 2023 and excluding 96 York Street, Beenleigh which was held for sale

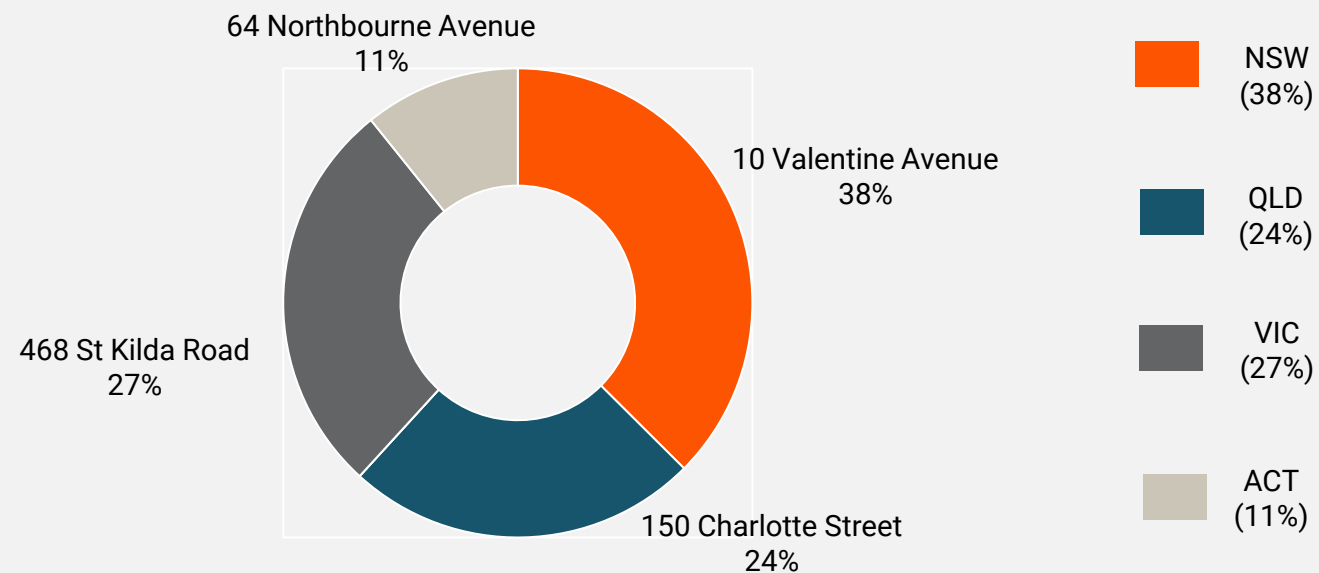
Key Portfolio Metrics

Number of properties	4
Occupancy ¹ (excluding asset under refurbishment)	93.0%
Occupancy ¹ (all assets)	60.2%
Portfolio Value	\$254.95m
Weighted Average Capitalisation Rate	7.13%
WALE ²	1.7 years
Net Lettable Area	44,289 sqm

Lease expiry profile¹



Geographic diversification³



1. By Net Lettable Area. The vacancy includes Valentine Avenue, Parramatta which was under refurbishment during the half year
2. WALE means weighted average lease expiry in years, by gross property income
3. By book value

AOF – Portfolio Environmental Performance as at 31 December 2023

Site Address	National Australian Built Environment Rating System (NABERS) Rateable	NABERS Energy Rating (No Greenpower Included, public rating only)	NABERS Water
10 Valentine Avenue, Parramatta, NSW	Yes	Asset currently under refurbishment	
150 Charlotte Street, Brisbane, QLD	Yes	5.0	3.5
468 St. Kilda Road, Melbourne, VIC	Yes	4.0	5.0
64 Northbourne Avenue, Canberra, ACT	Yes	4.5	4.5

Note: Above ratings are correct as at 31 December 2023

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