

# Australian Unity Office Fund 2024 Full Year Results

August 2024

(ASX: AOF)



The background features two stylized human figures in profile, facing each other. They are filled with a light grey stippled pattern and decorated with traditional Aboriginal motifs: concentric circles in purple, yellow, and red, and rows of black triangles with white dotted outlines. The background is a dark grey/black field with scattered white dots of varying sizes, resembling a starry sky.

## 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.

### Contents

1. Overview
2. Property Portfolio
3. Financial and capital management
4. Outlook and Guidance
5. Appendices

# Overview

## Delivering on the investment objective

### Portfolio update

96 York Street sold for \$29.7 million<sup>1</sup> settled Jun-24

64 Northbourne Avenue sold for \$21.2 million<sup>1</sup> settlement Nov-24<sup>2</sup>

2 - 10 Valentine Avenue sold for \$80.5 million<sup>1</sup> settlement Mar-25<sup>2</sup>

150 Charlotte Street sold for \$61.5 million<sup>1</sup> settlement Apr-25<sup>2</sup>

### FY24 Distributions

Total FY24 distributions 14.0 cents per unit (cpu), comprising:

- Ordinary distributions 8.0 cpu
- Special distribution 6.0 cpu

### Net Tangible Asset

Net Tangible Assets (NTA) \$229 million, or **\$1.39 per unit**<sup>3</sup>

The NTA reflects the independent valuation of 468 St Kilda Road and net sale prices of the three properties held for sale. The NTA excludes expected disposal costs of \$0.02 per unit<sup>4</sup>

The net sale prices of the three properties held for sale equate to \$163.2 million<sup>1</sup>, or **\$0.99 per unit**

### Capital Management

\$163.2 million of contracted net sale proceeds<sup>1</sup>

No drawn debt<sup>3</sup>

Debt facility to be terminated on settlement of 64 Northbourne Avenue

### 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

Australian Unity

1. Net sale price, excluding disposal costs

2. Expected settlement date

3. As at 30 June 2024

4. Expected disposal costs from the sales of 64 Northbourne Avenue, 2 - 10 Valentine Avenue and 150 Charlotte Street are \$0.02 per unit



# Property Portfolio<sup>1</sup>

The property portfolio comprises 468 St Kilda Road and three properties where contracts for sale have exchanged and are held for sale

## Investment Property

Market	Property	State	Independent Valuation (\$'m)	Capitalisation rate (%)	NLA <sup>2</sup> (sqm)	Value \$/sqm	WALE <sup>3</sup> (years)	Occupancy (by NLA)
Melbourne Fringe	468 St Kilda Rd, Melbourne	VIC	62.00	7.25%	11,210	5,531	3.4	74.5%

## Properties held for sale

Market	Property	State	Net sale price <sup>4</sup> (\$'m)	
Parramatta	2 - 10 Valentine Ave, Parramatta	NSW	80.50	Held for sale
Brisbane CBD	150 Charlotte St, Brisbane	QLD	61.50	Held for sale
Canberra CBD	64 Northbourne Ave, Canberra	ACT	21.20	Held for sale
<b>Total</b>			<b>163.20</b>	

1. All information is as at 30 June 2024 unless otherwise stated. 2 - 10 Valentine Avenue, Parramatta; 150 Charlotte St, Brisbane and 64 Northbourne Avenue, Canberra were held for sale and carried in the balance sheet at the net sale price, excluding disposal costs

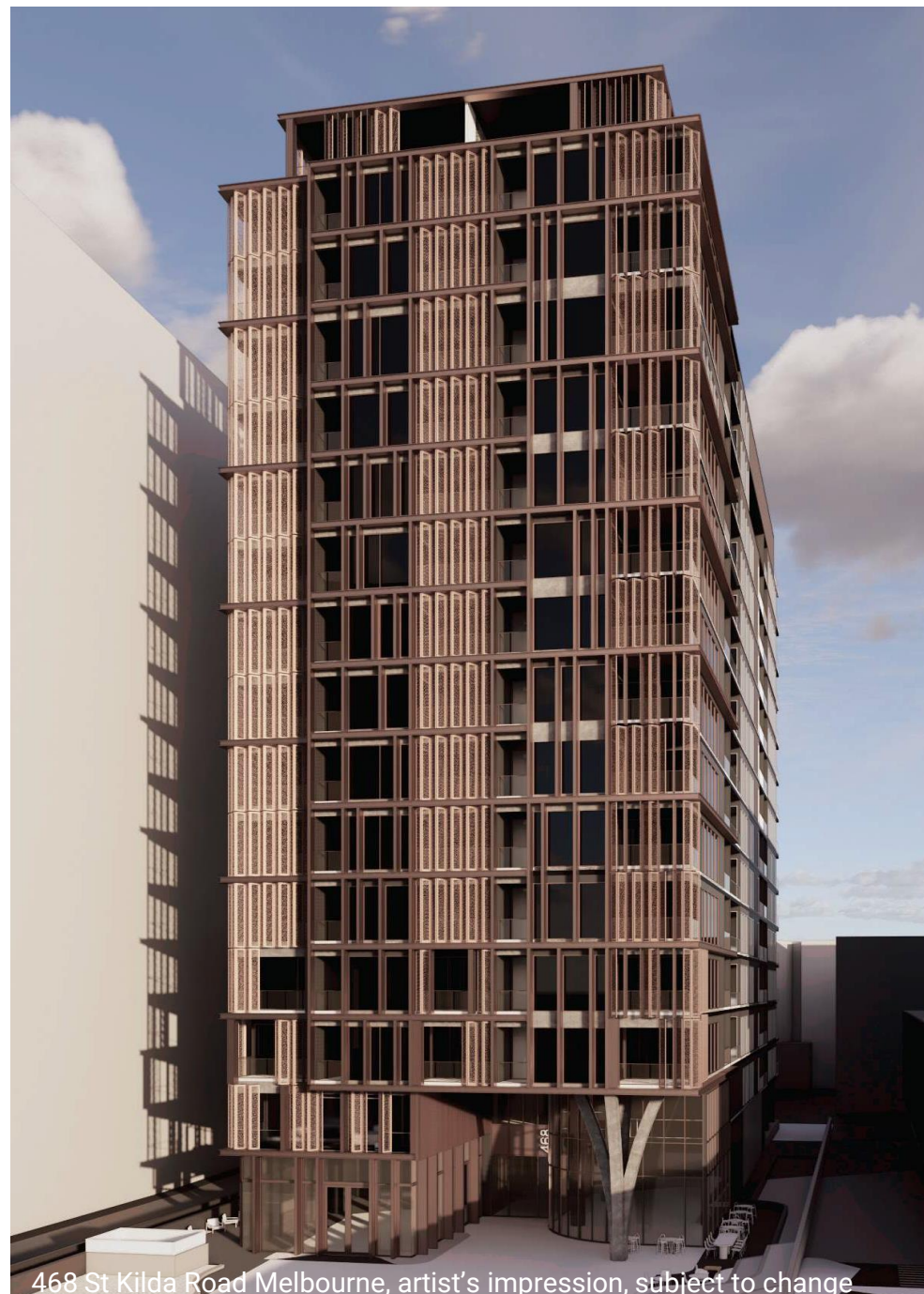
2. NLA means net lettable area

3. WALE means weighted average lease expiry in years, by gross property income

4. Net sale price, excluding disposal costs

# 468 St Kilda Road Melbourne

AOF will continue discussions with prospective buyers regarding the potential sale of 468 St Kilda Road



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

## Property Overview

- Well located office building with 13 levels of flexible floor space with good natural light, 800 metres from the new ANZAC station which is expected to be open to the public in 2025
- Refurbishment of tower lobbies including bathrooms and third space well progressed and scheduled to be completed mid-August 2024
- Concept plans to refurbish the entry and lobby, including introducing new third space and a repositioned café, are underway. Works are expected to commence in the coming months
- St Kilda Road is one of the largest mixed-use markets in Australia located approximately 3 kms to the south of the Melbourne central business district providing cost effective office and residential accommodation

## Leasing and Market Update

- 74.5% leased with a weighted average lease expiry of 3.4 years at 30 June 2024
- Leasing negotiations with existing and prospective tenants are underway despite a subdued Melbourne fringe market

### Melbourne Fringe Market Fundamentals<sup>1</sup>

- The vacancy rate for the Melbourne Fringe Market increased to 18.8% at 30 June 2024, with negative net absorption of ~8,300 sqm during the last 3 months

## Potential alternate use – build to rent<sup>2</sup>

- 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 sqm of Gross Floor Area for approximately 150 apartments, inclusive of penthouse suites, with balconies, pools and communal amenity

# Financial and Capital Management<sup>1</sup> – Year Ended June 2024

<b>FFO per unit</b>	<b>10.3 cents per unit</b>	2 - 10 Valentine Avenue was under refurbishment, and hence vacant, during the year
<b>Distributions per unit</b>	<b>14.0 cents per unit</b>	Distributions comprise ordinary distributions of 8.0 cents per unit and a special distribution of 6.0 cents per unit
<b>Contracted sales proceeds</b>	<b>\$163.2 million</b>	<p>\$163.2 million expected net sales proceeds based on executed contracts of sale for 2 - 10 Valentine Avenue, 150 Charlotte Street and 64 Northbourne Avenue<sup>2</sup></p> <p>The net sales proceeds equate to approximately \$0.99 per unit and exclude disposal costs which are estimated at \$0.02 per unit</p>
<b>NTA</b>	<b>\$1.39 per unit</b>	<p>NTA reflects net sales prices for the three properties held for sale and independent valuation of 468 St Kilda Road, Melbourne</p> <p>The NTA excludes the disposal costs for the three properties held for sale, estimated at \$0.02 per unit</p>
<b>Debt</b>	<b>\$0</b>	<p>No drawn debt at 30 June 2024, with a \$30 million debt facility expiring in March 2025</p> <p>Debt facility limit to be reduced to \$10 million, with the facility to be terminated on settlement of 64 Northbourne Avenue. Settlement is expected to be in November 2024</p>

1. As at 30 June 2024, unless otherwise stated

2. The contracts of sale for 2 - 10 Valentine Avenue and 64 Northbourne Avenue exchanged post 30 June 2024

# Guidance and Outlook

## Guidance<sup>1</sup>

Ordinary distribution guidance of **0.4 cents per unit for the September 2024 quarter**

At least **9.0 cents per unit special distribution** following the settlement of 64 Northbourne Avenue, Canberra, which is expected in November 2024

## Outlook

Continue discussions with prospective buyers regarding the potential disposal of 468 St Kilda Road, Melbourne

Subject to the progress of those discussions, market conditions, and any superior proposal, the Responsible Entity of AOF currently intends to make a determination to dispose of AOF's main undertaking (including the distribution to unitholders of proceeds of relevant property sales) and seek unitholder approval to do so in accordance with ASX Listing Rule 11.2

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	FY2024	FY2023	Change	Note
Rental income <sup>1</sup>	27,166	36,649	(9,483)	
Property expenses	(7,434)	(10,659)	3,225	
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	(2,391)	(5,329)	2,938	
<b>Net property income</b>	<b>17,341</b>	<b>20,661</b>	<b>(3,320)</b>	<b>i</b>
Interest income	198	323	(125)	
Net gain / (loss) on financial instruments held at fair value through profit or loss	82	(1,278)	1,360	ii
Net fair value loss of investment properties	(73,636)	(12,212)	(61,424)	iii
Disposal costs	(900)	(2,603)	1,703	iv
Management fees	(1,816)	(2,774)	958	i
Borrowing and other related costs	(1,032)	(4,322)	3,290	i
Other expenses	(1,628)	(2,237)	609	v
<b>Loss for the year</b>	<b>(61,391)</b>	<b>(4,442)</b>	<b>(56,949)</b>	

i. Reduction in net property income, management fees and borrowings reflects the sale of three properties during FY2023 (five properties were owned for the majority of FY2024, compared with eight during FY2023)

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

iii. Three properties were held for sale at 30 June 2024 with 468 St Kilda Road independently valued at 30 June 2024

iv. Reflects costs associated with the disposal of properties

v. Includes administration and other fund expenses

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	30 June 2024	30 June 2023	Change	Note
<b>Assets</b>				
Cash and cash equivalents	25,201	43,864	(18,663)	i
Receivables	1,262	899	363	
Financial assets held at fair value through profit or loss	-	2,356	(2,356)	
Other assets	1,308	707	601	
Properties held for sale	163,200	-	163,200	ii
Investment Properties	62,000	310,400	(248,400)	iii
<b>Total Assets</b>	<b>252,971</b>	<b>358,226</b>	<b>(105,255)</b>	
<b>Liabilities</b>				
Distributions Payable	15,945	41,096	25,151	iv
Payables	7,794	3,508	(4,286)	
Borrowings	-	-	-	
<b>Total Liabilities</b>	<b>23,739</b>	<b>44,604</b>	<b>20,865</b>	
<b>Net assets attributable to unitholders - equity</b>	<b>229,232</b>	<b>313,622</b>	<b>(84,390)</b>	
Number of units on issue (thousand)	<b>164,383</b>	<b>164,383</b>	-	
Net Tangible Assets (NTA) per unit	<b>\$1.39</b>	<b>\$1.91</b>	<b>(\$0.51)</b>	v

i. The cash balances at 30 June 2023 and 30 June 2024 were used to fund the June ordinary and special distribution

ii. 2 - 10 Valentine Ave, 150 Charlotte Street and 64 Northbourne Avenue were held for sale at 30 June 2024 at their net sale price, excluding disposal costs

iii. Movement driven by sale of 96 York Street and reclassification of 3 properties as being held for sale (see note ii).

468 St Kilda Road, was independently valued at 30 June 2024

iv. 30 June 2024 reflects a special distribution of 6.0 cents per unit (cpu) (30 June 2023: 22.5 cpu) and ordinary distribution of 3.7cpu (30 June 2023: 2.5 cpu)

v. The reduction in the NTA per unit was driven by the \$0.45 per unit net fair value reduction of investment properties and \$0.06 per unit special distribution

# Important notice and disclaimer

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