

Australian Unity Office Fund

(ASX: AOF)

2017 Annual General Meeting
21 November 2017

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Agenda

- 1 Chairman's welcome
- 2 Chairman's address
- 3 Fund Manager's address
- 4 Questions



30 Pirie Street, Adelaide, South Australia

Presenters




(William) Peter Day
Chairman



Grant Nichols
Fund Manager



10 Valentine Avenue, Parramatta, New South Wales



Chairman's address Peter Day

150 Charlotte Street, Brisbane, QLD

Financial year 2017 – strong results

Overall performance

Return on NTA

▲ **22.1%**¹

Funds From Operations
Per Unit

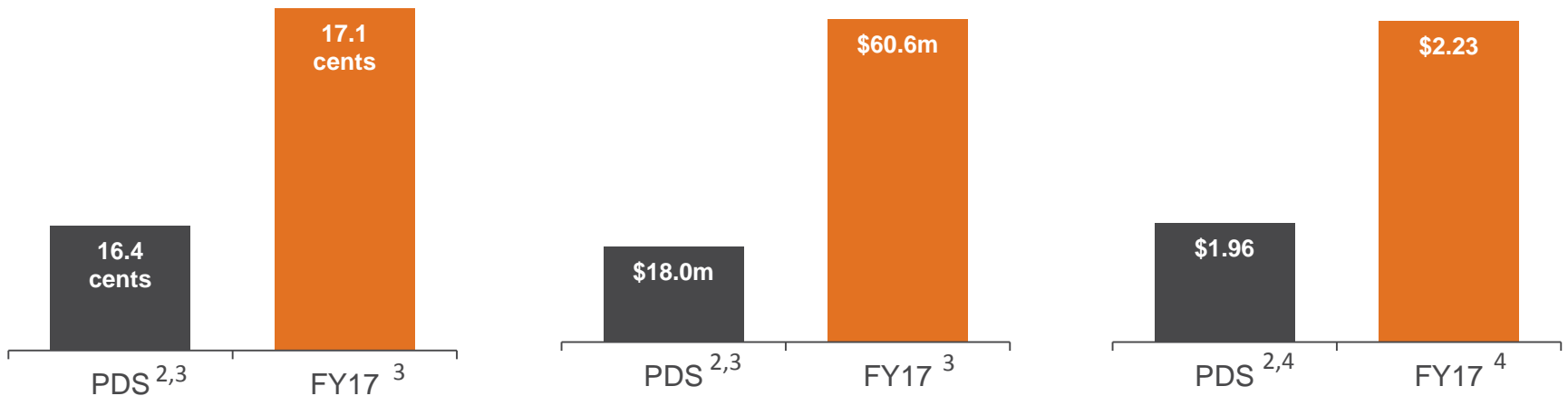
▲ **0.7 cents**
(+4.3%)

Statutory Net Profit

▲ **\$42.6m**
(+236.7%)

Net Tangible Assets
Per Unit

▲ **\$0.27**
(+13.8%)



1. Return for the period from 1 July 2016 to 30 June 2017 calculated as the movement in AOF's net asset value plus distributions for the period $((\$2.23 + \$0.15) / \$1.95) - 1 = 22.1\%$

2. PDS refers to the forecast financial information for the year to 30 June 2017 as set out in the Product Disclosure Statement (PDS) dated 23 May 2016

3. For the 12 months to 30 June 2017

4. As at 30 June 2017

Clear well defined investment objective and strategy

Fund objective	1	Invest in quality Australian office properties located in metropolitan and CBD markets
<i>To provide unitholders with sustainable income returns via quarterly distributions and the potential for capital growth over the long term by investing in a diversified portfolio of Australian office properties</i>	2	Grow net property income
	3	Enhance capital values
	4	Deliver sustainable and growing income returns via quarterly distributions
	5	Target gearing below 40%
	6	Maintain diversification through investment into existing properties or acquisitions

Australian Unity Office Fund

Board of Directors – Australian Unity Investment Real Estate Limited



Centre: (William) **Peter Day**, Independent Director and Chairman, Member of AOF's Audit & Risk Committee

From left: **Don Marples**, Independent Director, Chairman of AOF's Audit & Risk Committee; **Eve Crestani**, Non-executive Director, Member of AOF's Audit & Risk Committee; **Kirsty Dullahide**, Executive Director; **Greg Willcock**, Non-executive Director

Australian Unity Office Fund

Management team



From left: **Mark Pratt**, General Manager, Property; **Simon Beake**, Portfolio Manager; **Grant Nichols**, Fund Manager; **Giovanna Reale**, Asset Manager



Fund Manager's address

Grant Nichols

241 Adelaide St, Brisbane, QLD

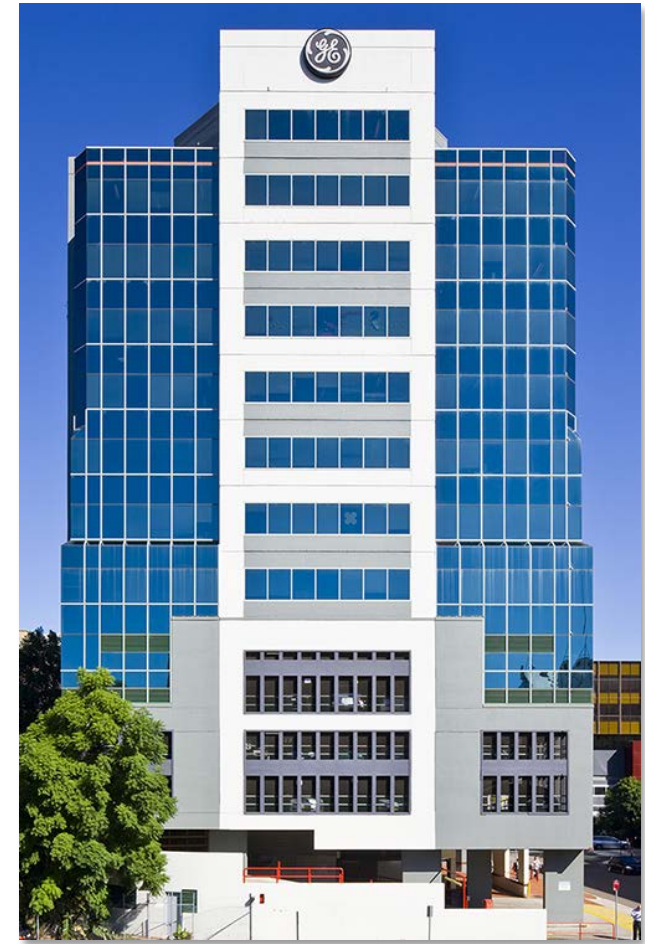
Full year 2017 result highlights

Exceeded financial forecasts, delivering capital growth

1	Funds From Operations (FFO) 17.1 cpu ¹ (PDS ² 16.4 cpu)
2	NTA per unit \$2.23 ³ (PDS ² \$1.96 ⁴)
3	Long term renewal of largest near term lease expiry (CPSA ⁵)
4	Portfolio value increased to \$441.1m ³ (uplift of \$48.3m from June 2016)
5	93.5% portfolio occupancy ⁶
6	4.6 year weighted average lease expiry ⁷

1. For 12 months to 30 June 2017
2. Product Disclosure Statement dated 23 May 2016 (PDS)
3. As at 30 June 2017
4. PDS forecast as at allotment on 22 June 2016

5. Contract Pharmaceutical Services of Australia ('CPSA') executed an eight year lease renewal over 6,280 sqm at 5 Eden Park Drive, North Ryde
6. As at 30 June 2017 by Net Lettable Area
7. As at 30 June 2017 by Gross Property Income



32 Phillip St, Parramatta, NSW

FY17 portfolio highlights

Significant leasing completed with solid valuation outcomes

1	~17,400 sqm of new leases completed (26 transactions)
2	Represents ~18% of portfolio by area
3	Portfolio value increased by \$48.3m to \$441.1m ¹
4	Weighted average capitalisation rate of 7.5% ¹
5	Average portfolio value per sqm ~\$4,500 ¹

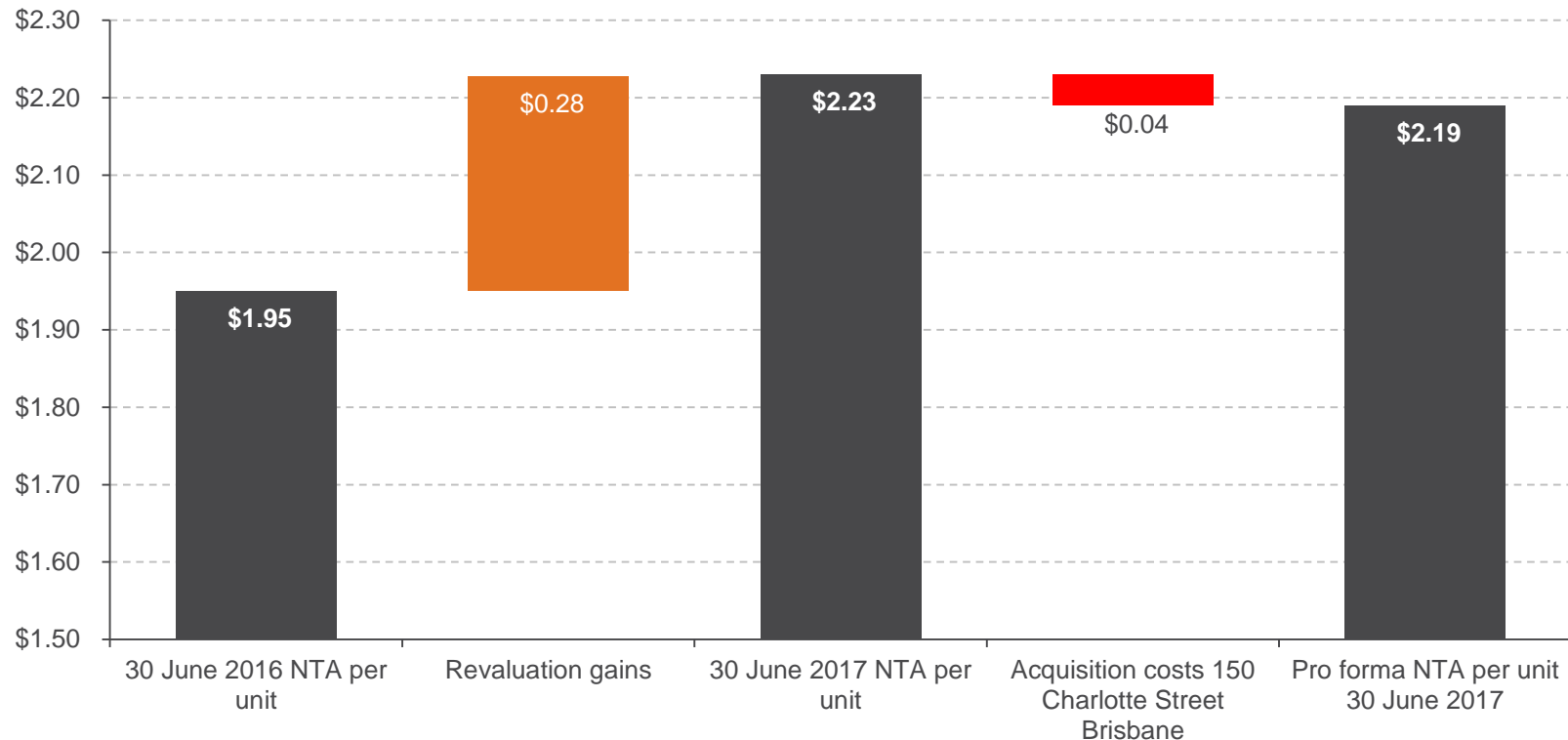
1. As at 30 June 2017



10 Valentine Ave, Parramatta, NSW

Growth in net tangible assets

Delivering value for unitholders and contributing to the 22.1%¹ return on NTA for the year to 30 June 2017



1. Return for the period from 1 July 2016 to 30 June 2017 calculated as the movement in AOF's net asset value plus distributions for the period $((\$2.23 + \$0.15) / \$1.95) - 1 = 22.1\%$

150 Charlotte St, Brisbane

Strategic acquisition with strong cashflow in an improving market

1 Located in the heart of the Brisbane CBD

- Centre of Brisbane CBD adjacent to the 'Golden Triangle'
- Major bus, ferry and train networks and the Queen Street Mall shopping precinct are in close proximity to the asset

2 Quality A Grade property consistent with AOF's strategy

- Comprises over 11,000sqm of NLA across 17 floors with a largely column free floor plate
- 4 star NABERS energy and 4 star NABERS water ratings
- Substantial \$21 million repositioning was completed in 2012 resulting in minimal near-term capital expenditure requirement

3 100% occupied with a 5.7 year WALE¹

- Major tenants include Boeing Defence Australia (Boeing) (64% of income) and the Commonwealth of Australia (DFAT) (13% of income)

4 Enhances AOF's portfolio WALE, occupancy and lease expiry profile

- Increase in portfolio occupancy to over 94.2% and WALE to 4.8 years¹
- Rental reviews of 4.0% p.a. (relating to the acquisition)

5 Capitalises on an opportunity in the improving Brisbane market

- Over 50,000 sqm of positive net absorption in the Brisbane office market in the past 12 months
- 10 consecutive quarters of positive net absorption
- Limited new supply is expected across the Brisbane CBD in the near term
- Capitalisation rate spread between the Brisbane and Sydney CBD's is significant



150 Charlotte Street, Brisbane, QLD

Quality portfolio of assets

Well diversified portfolio

Total portfolio
value

\$547m

WALE

4.8 years

Occupancy

94.2%

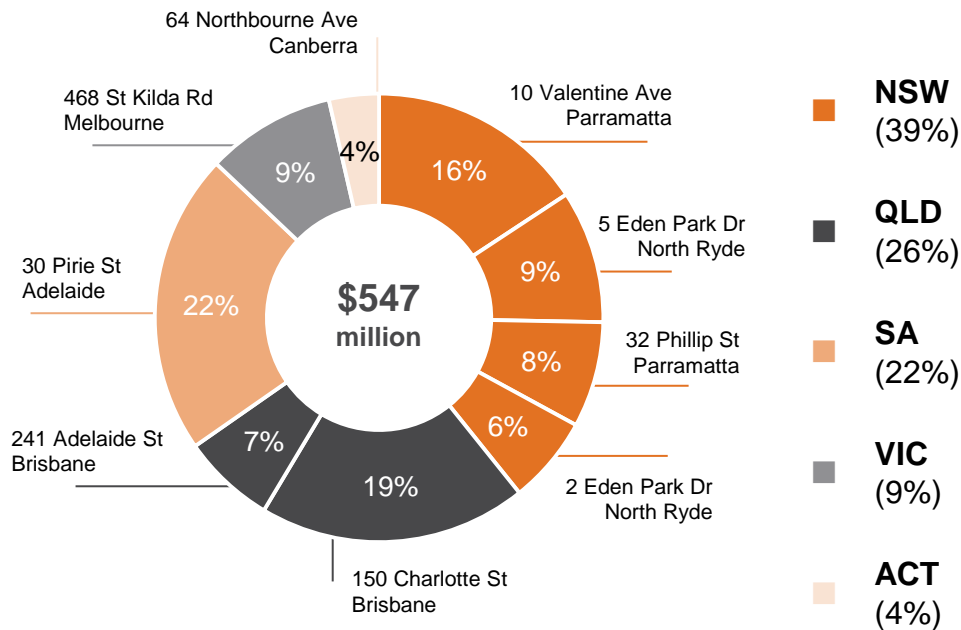
No. of properties

9

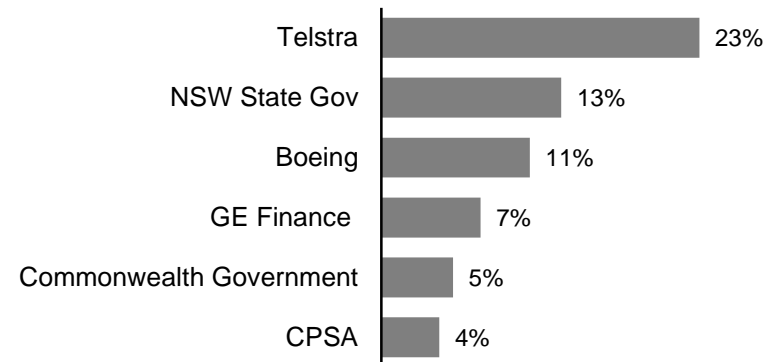
Australian
exposure

100%

Geographic diversification¹



Major tenants^{1,2}



1. Pro-forma position as at 30 June 2017 after the acquisition of 150 Charlotte Street, Brisbane

2. By Gross Property Income as at 30 June 2017

Office market outlook

AOF View

- Positive overall outlook amidst relatively limited additional supply
- Fringe and metro market rents 50+% cheaper than the CBD

Perth

- Rents remain comparatively high, despite peak vacancy rates; significant net absorption required for sustainable rental growth

Adelaide

- Rents stable and are comparatively cheap
- Tenant demand remains tepid

Melbourne

- Substantially more affordable than Sydney
- When combined with low immediate supply, there is an expectation of strong rental growth in the short term



Brisbane

- Improving tenant demand; reasonable rental growth expected over medium term

Sydney

- Low vacancy rate fuelling very strong effective rental growth

Canberra

- Disparate conditions of vacancy and investor demand between sub-markets

Greatest geographical office exposure of AOF is to NSW ~39%

AOF's focus

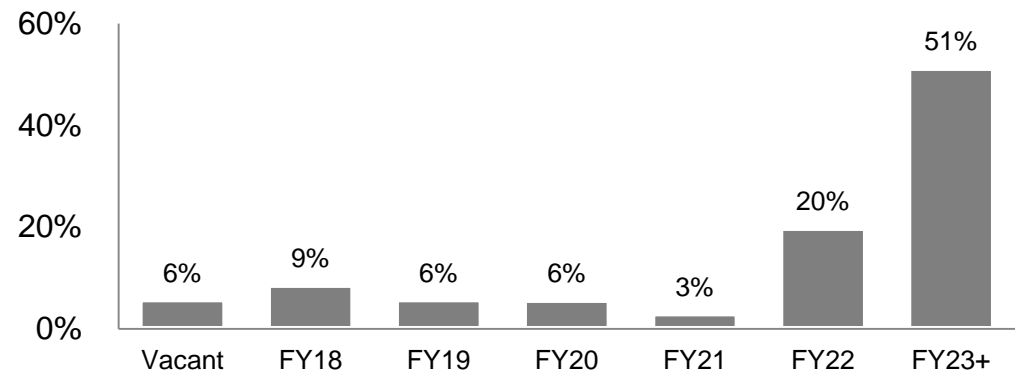
- Fringe office locations to benefit from further infrastructure investment increasing access, leading to rental growth opportunities and higher office rents
- Road, rail and airport infrastructure works will cement Parramatta as Sydney's second CBD

AOF outlook

Well positioned for long term growth

- ✓ High levels of income security
- ✓ Strong lease expiry profile
- ✓ Exposure to improving markets
- ✓ Conservative capital structure

Lease expiry profile¹



1. By Net Lettable Area as at 30 June 2017

Guidance

Subject to no material change in market conditions:

- FY18 Funds From Operations guidance of 17.1 – 17.3 cents per unit
- FY18 distribution guidance of 15.6 cents per unit
- AOF will maintain its conservative capital structure, with pro forma gearing of 33.5%, within AOF's target gearing level of 40%.

Appendix

Property portfolio

As at 30 June 2017 (pro-forma with 150 Charlotte Street, Brisbane²)

Property	State	Book value (\$m)	Cap rate	NLA (sqm)	WALE ¹ (years)	Occupancy (By NLA)
Single or Dominant tenant assets						
30 Pirie Street, Adelaide	SA	119.0	7.50%	24,781	5.7	91.7%
10 Valentine Avenue, Parramatta	NSW	86.0	7.75%	15,995	4.8	100.0%
5 Eden Park Drive, North Ryde	NSW	52.4	6.75%	11,018	6.6	89.9%
32 Phillip Street, Parramatta	NSW	41.7	7.00%	6,759	6.0	100.0%
Multi Tenant Assets						
468 St Kilda Road, Melbourne	VIC	51.0	6.75%	11,186	3.1	90.8%
241 Adelaide Street, Brisbane	QLD	36.8	8.50%	11,078	2.5	85.3%
2 Eden Park Drive, North Ryde	NSW	34.5	8.00%	10,345	2.7	100.0%
64 Northbourne Ave, Canberra	ACT	19.7	9.00%	6,418	3.7	92.6%
Total / weighted average		441.1	7.5%	97,580	4.6	93.5%
150 Charlotte Street, Brisbane ²	QLD	105.8	6.00%	11,011	5.7	100.0%
Pro-forma total / weighted average		546.9	7.2%	108,591	4.8	94.2%

1. Pro forma as at 30 June 2017, by Gross Property Income. This excludes The Brisbane Club at 241 Adelaide Street, Brisbane, as the tenant has approximately 45 years remaining on the lease and would thus distort the metric
2. 150 Charlotte Street, Brisbane was acquired by AOF on 20 October 2017.



Health | Wealth | Living