

# Australian Unity Office Fund

(ASX: AOF)

Property Book as at 31 December 2018

468 St Kilda Road, Melbourne, VIC

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# Property portfolio

## 30 Pirie Street, Adelaide, South Australia

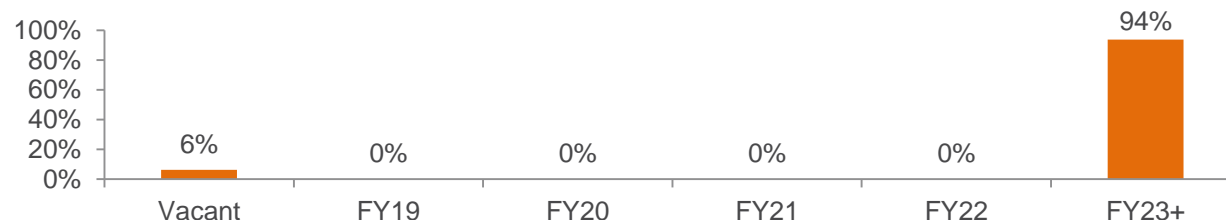


### Property overview and strategy

- A grade office property that is centrally located in Adelaide's CBD, comprising 23 levels of office space
- Building predominantly leased to Telstra, who have occupied the property since its construction in 1987
- Underwent an extensive c.\$19 million base building refurbishment in accordance with the terms of a new 11 year lease entered into with Telstra in 2012:
  - Works included lobby refurbishment, lift, mechanical, electrical and fire service upgrades, toilet and common amenity refurbishments, construction of 'end of trip' facilities etc.

**Strategy:** Maintain strong tenant relations with Telstra to understand changes to its business which may alter ongoing or future tenancy requirements. Lease the currently vacant part level 22 and level 23, which have been fully refurbished.

### Lease expiry profile (by NLA)



### Summary of major tenant

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
G-21	Telstra	22,717	92%	28 Feb 2023	\$12.0m	Annual fixed 3.5%
22	Australian Unity Group Services	525	2%	30 Nov 2023	\$0.2m	Annual fixed 4.0%

### Property information at 31 Dec 2018

Book value	\$121.50m
Capitalisation Rate	7.50%
Net Lettable Area (sqm)	24,781
Occupancy (by NLA)	93.8%
WALE <sup>(1)</sup>	4.2 years
Building constructed	1987
Latest refurbishment	2012

Notes:

(1) As at 31 December 2018, by Gross Property Income.

# Property portfolio

## 10 Valentine Avenue, Parramatta, New South Wales

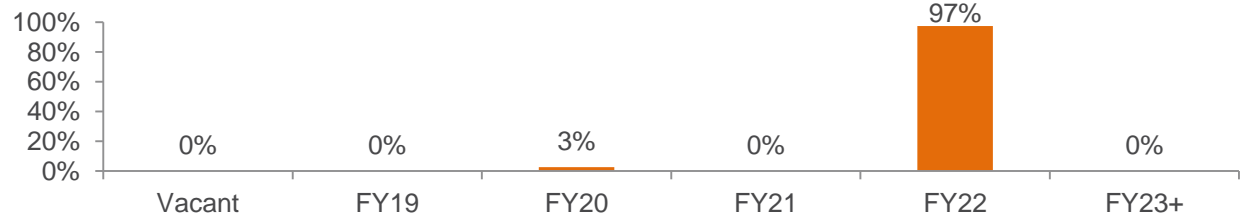


### Property overview and strategy

- A grade office property comprising 14 levels of office space, located approximately 100 metres from the Parramatta Bus and Railway Interchange and Westfield Parramatta
- Adjacent to the property is a six level freestanding car park providing parking for 286 vehicles. The property and adjacent car park form an island site with no adjacent properties
- Predominantly leased to the NSW State Government who have occupied the property since construction in 1987
- The NSW State Government did not provide notice by 31 December 2018 to hand back up to five floors
- Limited backfill arising from new commercial developments underway is expected to maintain downward pressure on vacancy in the Parramatta market.

**Strategy:** Continue to progress the design and leasing strategy for an office development on the freestanding carpark, subject to an increase in the floor space ratio facilitated by the implementation of the Parramatta CBD Planning Proposal. Under this proposal, a ~25,000sqm – 28,000sqm office development may be permitted on the site.

### Lease expiry profile (by NLA)



### Summary of major tenants

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
1-13	NSW State Govt.	15,569	97%	30 June 2022	\$7.1m	Annual fixed 3.25%
G	NSW State Govt.	426	3%	31 Dec 2019	\$0.2m	

### Property information at 31 Dec 2018

Book value	\$115.50m
Capitalisation Rate	6.25%
Net Lettable Area (sqm)	15,995
Occupancy (by NLA)	100.0%
WALE <sup>(1)</sup>	3.3 years
Building constructed	1987
Latest refurbishment	2017

#### Notes

(1) As at 31 December 2018, by Gross Property Income.

# Property portfolio

150 Charlotte Street, Brisbane, Queensland

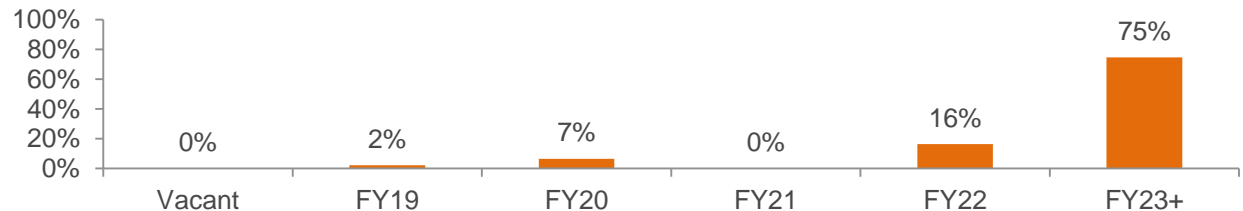


## Property overview and strategy

- A Grade office building centrally located in Brisbane's CBD, comprising 16 levels of office space
- The Midtown precinct location will benefit from some of Brisbane's largest projects including Queen's Wharf and the Cross River Rail, incorporating the construction of a new train station 200 metres from the asset
- Underwent an extensive \$21 million refurbishment in 2012 with all bathrooms upgraded, the ground floor foyer refurbished with meeting rooms and a cafe, lift modernisation, construction of end of trip facilities, and installation of new air handling units, chillers and a building management system
- Three levels of basement parking providing 102 car parking bays and 13 motorbike bays.

**Strategy:** Maintain strong tenant relations with Boeing Defence Australia and the Commonwealth of Australia to understand changes to their businesses which may alter ongoing or future tenancy requirements.

## Lease expiry profile (by NLA)



## Summary of major tenant

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
5-14	Boeing Defence Australia	7,459	68%	30 June 2024	\$5.8m	Annual fixed 4.0%
16-17	Commonwealth of Australia (DFAT)	1,492	14%	30 June 2022	\$1.2m	Annual fixed 4.0%

## Property information at 31 Dec 2018

Book value	\$105.75m
Capitalisation Rate	6.00%
Net Lettable Area (sqm)	11,011
Occupancy (by NLA)	100.0%
WALE <sup>(1)</sup>	4.2 years
Building constructed	1988
Latest refurbishment	2012

Notes:

(1) As at 31 December 2018, by Gross Property Income.



# Property portfolio

## 5 Eden Park Drive, North Ryde, New South Wales

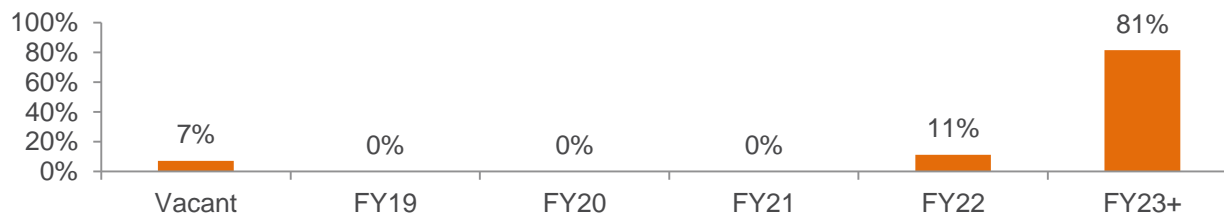


### Property overview and strategy

- A grade office property comprising three levels of office accommodation and a hi-tech production and warehouse area in close proximity to the Macquarie Park railway station on the Sydney Metro Northwest railway link
- Purpose built for the specific requirements of the major tenant, Contract Pharmaceutical Services of Australia (CPSA), which occupies all of the production and warehouse area, and a portion of the office space
- North Ryde is comparatively inexpensive compared to other major Sydney office markets, with limited supply expected in the medium term.

**Strategy:** Continue with a proactive property management strategy targeted at addressing tenant retention and current vacancy. As the Property is a relatively new construction the property services and amenities remain functional and presentable.

### Lease expiry profile (by NLA)



### Summary of major tenants

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
G&1	CPSA	6,408	58%	30 June 2026	\$2.2m	Annual fixed 3.5%

### Property information at 31 Dec 2018

Book value	\$62.08m
Capitalisation Rate	6.25%
Net Lettable Area (sqm)	11,029
Occupancy (by NLA)	92.8%
WALE <sup>(1)</sup>	5.5 years
Building constructed	2004
Latest refurbishment	N/A

#### Notes

(1) As at 31 December 2018, by Gross Property Income.

# Property portfolio

## 32 Phillip Street, Parramatta, New South Wales

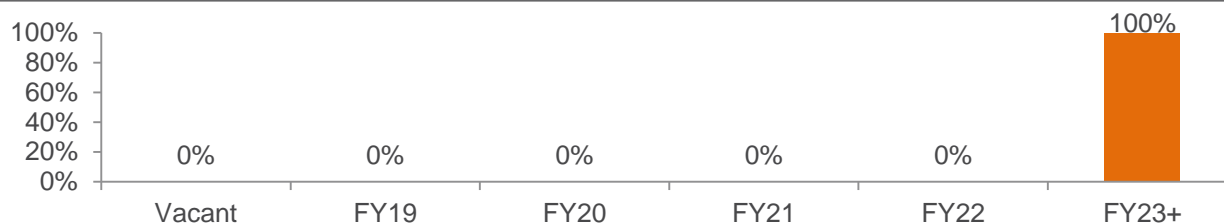


### Property overview and strategy

- B grade office building located within the northern portion of the Parramatta commercial precinct in close proximity to the Church Street retail strip
- Fully refurbished in 2013 under the terms of a new 10 year lease to GE
- Located on Parramatta City Council's proposed 'Civic Link', a public space and cultural spine connecting Parramatta CBD to the river, adjacent to the proposed Powerhouse Museum.

**Strategy:** As the Property was recently fully refurbished, there are no near term capital requirements. Whilst there is no immediate intention given the remaining lease term to GE, the Fund will, in time, investigate the feasibility of alternate redevelopment opportunities, given the changing nature of surrounding development, including residential conversion. Whilst the Fund does not intend to undertake any residential development, it may consider seeking development consent prior to disposal if sufficient value uplift could be achieved by doing so.

### Lease expiry profile (by NLA)



### Summary of major tenants

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
G-13	GE	6,759	100%	30 June 2023	\$4.0m	Annual fixed 3.5%

### Property information at 31 Dec 2018

Book value	\$56.75m
Capitalisation Rate	6.25%
Net Lettable Area (sqm)	6,759
Occupancy (by NLA)	100.0%
WALE <sup>(1)</sup>	4.5 years
Building constructed	1991
Latest refurbishment	2013

#### Notes

(1) As at 31 December 2018, by Gross Property Income.

# Property portfolio

468 St Kilda Road, Melbourne, Victoria

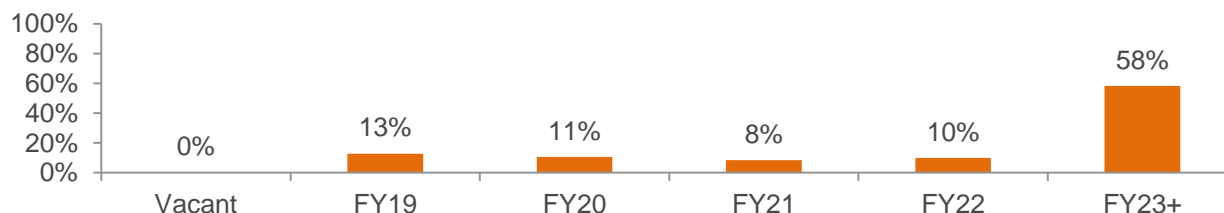


## Property overview and strategy

- B grade office building comprising 13 levels, with refurbishments carried out progressively since 2010. St Kilda Road is one of the largest non-CBD office markets in Australia located approximately 3 kms to the south of the Melbourne CBD providing cost effective office accommodation
- There have been no new office developments in the St Kilda Road office market since the mid 1990's and some office buildings in this market have been withdrawn for residential conversion. This withdrawal continues to keep the vacancy within the market low whilst demand for smaller tenancies keeps the leasing market buoyant.

**Strategy:** Continue with a proactive property management strategy, addressing tenant retention and improving WALE. To address pending vacancy, the Fund will consider subdivision to attract smaller tenants and further diversify the lease expiry profile. Whilst the Fund considers the ongoing commercial use as currently most suitable, having regard to the amount of residential development in the surrounding area, the Fund will continue to monitor the highest and best use and the feasibility of potential redevelopment opportunities.

## Lease expiry profile (by NLA)



## Summary of major tenants

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
12 & 13	EGA Corporate Advisors	994	9%	14 Aug 2022	\$0.5m	Annual fixed 3.5%
10	TLC Aged Care	898	8%	16 Aug 2022	\$0.5m	Annual fixed 3.75%

## Property information at 31 Dec 2018

Book value	\$71.74m
Capitalisation Rate	5.50%
Net Lettable Area (sqm)	11,180
Occupancy (by NLA)	100.0%
WALE <sup>(1)</sup>	3.4 years
Building constructed	1985
Latest refurbishment	Since 2010

### Notes

(1) As at 31 December 2018, by Gross Property Income



# Property portfolio

## 2 Eden Park Drive, North Ryde, New South Wales

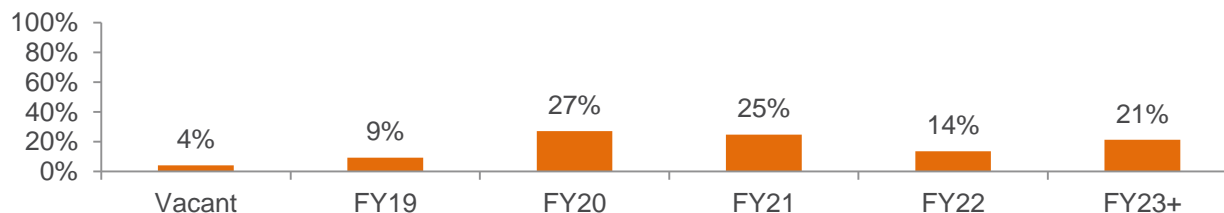


### Property overview and strategy

- Modern industrial complex comprising 16 attached units incorporating office and warehouse components. The three level office areas are at the front of the property with the warehouse at the rear, split over two levels
- Located in the Macquarie Park business park, within close proximity to the Macquarie Park railway station on the Sydney Metro Northwest railway link
- The unique nature of the property being predominantly small quality offices attached to high clearance warehouse has meant the property has sustained a relatively high level of occupancy since construction.

**Strategy:** Continue with a proactive property management strategy targeted at addressing tenant retention and improving the Property's WALE.

### Lease expiry profile (by NLA)



### Summary of major tenants

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
4 & 5	NuSkin Australia	1,427	14%	31 Dec 2019	\$0.5m	Annual fixed 3.5%
15 & 16	Enterix	967	9%	30 June 2019	\$0.4m	Annual fixed 4.0%

### Property information at 31 Dec 2018

Book value	\$45.00m
Capitalisation Rate	6.50%
Net Lettable Area (sqm)	10,345
Occupancy (by NLA)	95.9%
WALE <sup>(1)</sup>	2.2 years
Building constructed	1999
Latest refurbishment	N/A

#### Notes

(1) As at 31 December 2018, by Gross Property Income.

# Property portfolio

241 Adelaide Street, Brisbane, Queensland

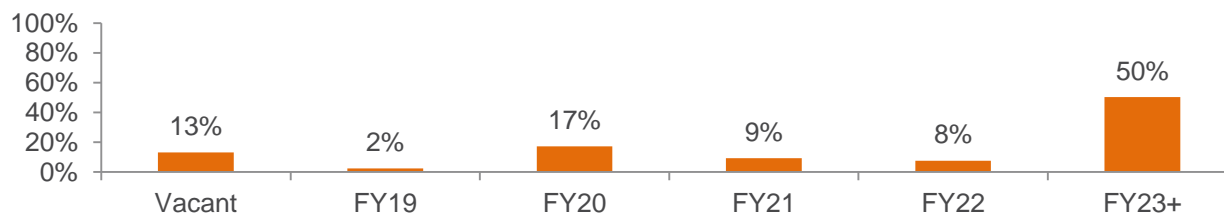


## Property overview and strategy

- B grade office building also known as "The Brisbane Club Tower" located within the CBD core, being adjacent to Post Office Square and within close proximity to central railway station. <sup>(1)</sup>
- Progressively refurbished since 2012, including converting a noise attenuation floor, previously used as storage space, into office space and converting ground floor office space into a retail use
- In Brisbane, small tenants remain particularly active, with tenants moving from the fringe to the CBD where better value is now apparent.

**Strategy:** Continue with a proactive property management strategy, addressing tenant retention and improving WALE. To address current and pending vacancy, the Fund will consider subdivision to attract smaller tenants and further diversify the lease expiry profile. Undertake a mechanical services and lift upgrade and progressively refurbish bathrooms and lift foyers to enhance presentation and tenant amenity.

## Lease expiry profile (by NLA)



## Summary of major tenants

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
6	JZM Properties	511	5.0%	31 Dec 2021	\$0.4m	Annual fixed 3.50%
16	Australian Unity Group Services	509	5.0%	30 June 2023	\$0.3m	Annual fixed 3.75%

## Property information at 31 Dec 2018

Book value	\$39.84m
Capitalisation Rate	7.75%
Net Lettable Area (sqm)	10,075
Occupancy (by NLA)	86.7%
WALE <sup>(2,3)</sup>	2.7 years
Building constructed	1988
Latest refurbishment	Since 2012

### Notes

- (1) The interest in the Property is held in the form of a head lease from The Brisbane Club over the freehold area. The rent for the head lease is \$1 p.a. with a 2063 expiry. 3,339sqm of the NLA is sub-let to The Brisbane Club. The rent for the sub lease is \$1 p.a. with a 2063 expiry.
- (2) As at 31 December 2018, by Gross Property Income
- (3) This excludes The Brisbane Club as the tenant has approximately 45 years remaining the lease and would thus distort the metric.

# Property portfolio

64 Northbourne Avenue, Canberra, ACT

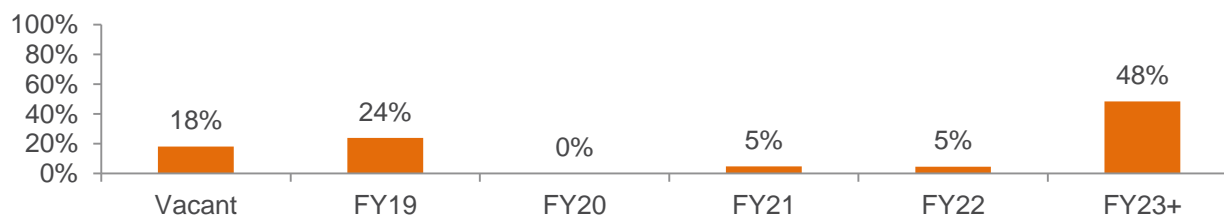


## Property overview and strategy

- B grade property comprising six levels of office accommodation<sup>(1)</sup>
- Located on a prominent corner within the Canberra CBD within close proximity of the prime retail precinct and the City Bus Interchange
- The main station of the Canberra Light Rail Network, currently under construction, will be adjacent to the building
- The vacant space within the property has been subdivided and fitted out and base building services upgraded to ensure a 4.5 stars NABERS energy rating.

**Strategy:** To capture higher rents, satisfy tenant demand, and diversify the lease expiry profile, the Fund will consider subdividing floors to attract smaller tenancies and address the pending vacancy caused by the departure of Cushman & Wakefield. Actively pursue a diversified mix of smaller tenants so as to avoid a future lumpy expiry profile.

## Lease expiry profile (by NLA)



## Summary of major tenants

Level	Tenant	NLA (sqm)	NLA %	Expiry	Passing gross income	Review
1	Commonwealth of Australia	1,265	20%	7 June 2025	\$0.6m	Annual fixed 3.50%
2	Defence Force Recruiting	1,275	20%	30 June 2023	\$0.6m	Annual fixed 3.75%

## Property information at 31 Dec 2018

Book value	\$22.83m
Capitalisation Rate	7.75%
Net Lettable Area (sqm)	6,429
Occupancy (by NLA)	81.9%
WALE <sup>(2)</sup>	3.4 years
Building constructed	1985
Latest refurbishment	2012

### Notes

(1) Leasehold property. Most land in the Australian Capital Territory is leased to private lessees under long term Crown leases. Subject to some exceptions, a Crown lease is akin to ownership and is governed by the Land Titles Act 1925 (ACT) and the Planning and Development Act 2007 (ACT).

(2) As at 31 December 2018, by Gross Property Income.



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