

15 December 2021

Sydney CBD Office acquisition and continued valuation gains

Abacus Property Group (Abacus) [ASX: ABP] announces that it has exchanged contracts to acquire a 100% leasehold interest (296 years remaining) in 77 Castlereagh Street, Sydney NSW, with settlement anticipated in January 2022.

The property has a prime location in the vibrant heart of the Sydney CBD, with a prominent entry from prestigious Castlereagh Street and is located in close proximity to existing and extensive public transport connections. Set to benefit further from the Martin Place Metro Station completion in 2024 and strategically integrated above multiple levels of the Westfield Sydney living centre, the office accommodation comprises 11 levels of circa 1,200 sqm floorplates with an efficient centre side core configuration. The building has a 5.5 star NABERS Energy Rating, a weighted average lease expiry (WALE) of 4.3 years and is 95% leased.

Total consideration for the acquisition is \$250 million, excluding transaction costs and reflects circa \$18,995 per square metre of net lettable area (NLA) or a 4.63% cap rate. The asset is currently leased at rents that are significantly below market and as a result, coupled with the attractive location and amenity provided, offers material upside in the medium term while generating a 4.0% fully leased yield. The acquisition will be funded from existing debt facilities.

Managing Director, Steven Sewell commented “Being integrated above Westfield Sydney, a world-class retail offering, the acquisition continues the Abacus theme of acquiring assets with good amenity and a clear path to income growth. With a pathway to medium term repositioning, this is a great opportunity for the group to implement active asset management strategies and transition the building to an A Grade standard which will unlock rental reversions and ultimately deliver long term sustainable returns for our stakeholders.”

Preliminary valuation update

49 investment properties, or 36% of the Group’s portfolio by number, have been externally valued as at 31 December 2021.

The preliminary draft valuations (including both external and internal) have resulted in a total estimated increase of \$175 million, being a 5% increase. The unaudited valuations are expected to increase the Group’s pro forma net tangible assets (NTA) by circa \$0.21 per security to \$3.64, an increase of 6% on the 30 June 2021 NTA.



Investment properties	Unaudited valuation 31 December 2021	Weighted average capitalisation rate 31 December 2021	Weighted average capitalisation rate 30 June 2021	Change	Uplift ¹
Self Storage	\$2.0 billion	5.47%	5.74%	-27 basis points	7%
Commercial ²	\$2.0 billion	5.52%	5.58%	-6 basis points	2%
Total portfolio ²	\$4.0 billion	5.49%	5.65%	-16 basis points	5%

The valuations are subject to finalisation and audit. The final audited valuations will be available as part of Abacus' HY22 results, which will be released on Thursday, 17 February 2022.

END

INVESTOR & MEDIA ENQUIRIES

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¹ Net valuation movement over period based on preliminary valuations which are subject to finalisation and audit review.

² Excludes 77 Castlereagh Street, Sydney NSW. Proforma Commercial WACR is 5.42% and Proforma Total Portfolio WACR is 5.43%.