



Centuria Metropolitan REIT

Product Disclosure Statement

in relation to an offer
of 57.2 million Stapled
Securities in the
**Centuria Metropolitan
REIT.**



Centuria Property Funds Limited
(ABN 11 086 553 639 AFSL 231149) as
Responsible Entity of

Centuria Metropolitan REIT No. 1
(ARSN 124 364 718) and

Centuria Metropolitan REIT No. 2
(ARSN 124 364 656)

Bookrunners and Joint Lead Managers



UBS AG, Australia Branch



CIMB Capital Markets (Australia) Limited

Important Information

This information is important and requires your attention.

It is important that you read this document carefully and in its entirety prior to making your investment decision with respect to the Offer. In particular you should pay careful consideration to the risk factors outlined in Section 9 and the tax implications in Section 11 of this document as they relate to your personal investment objectives, financial circumstances and needs.

Responsible Entity

Centuria Property Funds Limited ABN 11 086 553 639 AFSL 231149 (CPFL) is the responsible entity of Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656 (together referred to as the Fund). This document is a product disclosure statement (PDS) for the purposes of Part 7.9 of the Corporations Act and has been issued by CPFL as the responsible entity of the Fund in respect of the offer of stapled securities in the Fund (Stapled Securities) under the Offer.

Lodgement and listing

This PDS is dated 11 November 2014 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. CPFL will apply for the admission of the Fund to the official list of ASX and the quotation of the Stapled Securities on ASX within 7 days of lodgement of this PDS. Neither ASIC nor ASX takes any responsibility for the contents of this PDS.

Exposure period

The Corporations Act prohibits CPFL from issuing Stapled Securities in the seven day period after the date of lodgement of this PDS. This period may be extended by ASIC by up to a further seven days.

Not investment advice

The information in this PDS is general information only and does not take into account your individual objectives, financial situation or needs. Consequently you should consider whether the information in this PDS is appropriate for you in light of your objectives, financial situation or needs. CPFL encourages you to seek independent financial and taxation advice before making any investment decision.

If you have any queries or uncertainties relating to aspects of this PDS or the Offer please consult your stockbroker or independent financial adviser before deciding whether to invest in the Stapled Securities.

Similarly the tax implications of your investment will vary depending on your personal financial circumstances and investment objectives and needs. You should consider the tax implications outlined in Section 11 of this PDS and obtain your own professional taxation advice prior to deciding whether to invest in Stapled Securities.

No cooling-off rights

There will not be a cooling-off period in relation to Applications. Once an Application has been lodged, it cannot be withdrawn.

Information in relation to the rights and obligations attached to each Stapled Security, including the Constitutions of the Fund, is set out in Section 13.3. A copy of the Constitutions of the Fund which will be made available for inspection, free of charge at the registered office of CPFL within normal trading hours.

Electronic PDS

An electronic copy of this PDS may be viewed online at www.centuriareitoffer.com.au by Australian resident investors during the Offer Period.

If you access the PDS electronically please ensure that you download and read the PDS in its entirety. The Offer to which this PDS relates is only available to Australian resident investors receiving this PDS (electronically or otherwise) in Australia and to Institutional Investors located in certain other jurisdictions. A paper form of this PDS can be obtained, free of charge, during the Offer Period by contacting your Broker or the Offer Information Line on 1300 721 463 (toll free within Australia) or +61 3 9415 4300 (outside Australia)

between 8.30am and 5.30pm (AEDT) Monday to Friday.

Applications for Stapled Securities in the Fund will only be considered if applied for on an Application Form (refer to Section 10 for further information).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is accompanied by this PDS in its paper form or the complete and unaltered electronic form.

Foreign jurisdictions

This PDS has been prepared to comply with the requirements of Australian law and is only being made to Australian resident Retail Investors and Sophisticated Investors and to Institutional Investors in Australia and certain other jurisdictions as set out in Section 10.16.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Distribution of this PDS outside of Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this PDS outside of Australia are required to observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable securities laws.

Unless otherwise agreed with CPFL, any person subscribing for Stapled Securities in the Offer shall by virtue of such subscription be deemed to represent that they are not in a jurisdiction which does not permit the making of an offer or invitation as detailed in this PDS, and are not acting for the account or benefit of a person within such jurisdiction.

None of CPFL, the Joint Lead Managers, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

This PDS may not be released or distributed in the United States. This PDS does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this PDS have not been, and will not, be registered under the U.S. Securities Act of 1933, as amended (US Securities Act) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

See Section 10.16 for further details.

Updated information

Information regarding the Offer may need to be updated from time to time. Any updated information about the Offer that is considered not materially adverse to investors will be made available on the Offer website at www.centuriareitoffer.com.au, and CPFL will provide a paper copy of the updated information free of charge to any person who requests a copy by contacting the Offer Information Line on 1300 721 463 (toll free within Australia) or +61 3 9415 4300 (outside Australia) between 8.30am and 5.30pm (AEDT) Monday to Friday (during the Offer Period).

In accordance with its obligations under the Corporations Act, CPFL may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

Financial information

Unless otherwise specified, all financial and operational information contained in this PDS is believed to be current as at the date of this PDS.

All currency amounts are in Australian dollars unless otherwise specified.

This PDS includes Forecast Financial Information based on the

best estimate assumptions of the Directors of CPFL - See “forward-looking statements” below.

Independent valuations

This PDS contains information regarding the independent valuations of the properties in the Portfolio by independent valuers Jones Lang Lasalle, Knight Frank, Colliers and DTZ as at 23 September 2014. Valuations are an opinion of a fair price payable by a willing buyer at a point in time, not a guarantee of current or future market value. By necessity, valuations require the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser or another valuer.

Independent valuations are subject to a number of assumptions and conditions, including but not limited to:

- that all properties are held with good and marketable title, free and clear of any or all liens, encumbrances, restrictions or other impediments of an onerous nature and that utilisation of the land is within the boundaries of the property lines with no trespass or encroachment;
- responsible ownership and competent property management;
- absence of any defects in engineering or presence of any hazardous waste and/or toxic material;
- compliance with all applicable federal, state and local environmental regulations and laws and all applicable zoning and use regulations and restrictions; and
- absence of any latent or unhidden conditions or defects on the property, subsoil or structures.

Property values can change substantially, even over short periods of time, and an independent valuer's opinion of value could differ significantly if the date of valuation were to change. A high degree in volatility in the market may lead to fluctuations in values over a short period of time.

Forward-looking statements

Certain “forward-looking statements” have been provided in this PDS. These statements can be identified by the use of words such as “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “predict”, “guidance”, “plan” and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Preparation of these forward-looking statements was undertaken with due care and attention; however, forward-looking statements remain subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of CPFL and its officers, employees, agents and advisers. Consequently, such factors may impact the performance of the Fund such that actual performance differs materially to any performance indicated in the forward-looking statements.

Some of the risk factors that impact on forward-looking statements in this PDS are set out in Section 9. No assurance can be provided that actual performance will mirror the guidance provided. Other than as required by law, none of CPFL, its respective Directors, officers, employees or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this PDS will actually occur. You are cautioned not to place undue reliance on those statements.

The forward-looking statements in this PDS reflect the views held only immediately before the date of this PDS, unless otherwise stated. Subject to the Corporations Act and any other applicable law, each of CPFL, its respective Directors, officers, employees and advisers disclaims any duty to disseminate after the date of this PDS any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

Underwriting Agreement

UBS AG, Australia Branch ABN 47 088 129 613 and CIMB Capital Markets (Australia) Ltd ABN 17 000 757 111 have been appointed by CPFL as joint bookrunners, joint lead managers and underwriters to the Offer¹, subject to certain terms and conditions stipulated within the Underwriting Agreement.

The Underwriting Agreement sets out a number of circumstances where the Bookrunners may terminate the agreement and its obligations. For further information on the terms and conditions of the Underwriting Agreement you should refer to Section 13.5 of this PDS.

Photographs, diagrams and artist's renderings

Photographs, diagrams and artist's renderings contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only. They should not be interpreted to mean an endorsement of this PDS or its contents by any person shown in these images. Furthermore, assets not accompanied by a description should not be interpreted as being owned by the Fund.

Diagrams used in this PDS are also intended for illustrative purposes only and may not be drawn to scale.

Definitions, abbreviations and other information

In this PDS, unless a contrary intention is clearly indicated or the context requires, defined terms have the meaning attributed to them in the Glossary.

Unless otherwise stated or implied references to times in this PDS are references to Australian Eastern Daylight Time, being the time in Sydney, Australia. Similarly, references to dates or years in this PDS are financial years unless otherwise stated or implied.

Rounding of the figures provided in this PDS may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

Disclaimer

No person is authorised to give any information, or to make any representation, in connection with the Offer that is not contained in this PDS.

Any information or representation that is not in this PDS may not be relied on as having been authorised by CPFL in connection with the Offer. Except as required by law, and only to the extent so required, neither CPFL, nor any other person, warrants or guarantees the future performance of the Fund, the repayment of capital, or any return on any investment made pursuant to this information.

The Bookrunners have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this PDS and do not make or purport to make any statement in this PDS and there is no statement in this PDS which is based on any statement by the Bookrunners. The Bookrunners and their affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this PDS and make no representation or warranty as to the currency, accuracy, reliability or completeness of this PDS.

Further questions

If you have any queries relating to aspects of this PDS please call your stockbroker, accountant or other independent financial adviser or the Offer Information Line on 1300 721 463 (toll free within Australia) or +61 3 9415 4300 (outside Australia) between 8.30am and 5.30pm (AEDT) Monday to Friday (during the Offer Period).

Notes:

- (1) Excluding the Stapled Securities the subject of the Subscription Agreement, details of which are set out in Section 13.8.

Centuria Metropolitan REIT

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Key Offer Information

Key Offer Statistics ²	
Offer Price per Stapled Security	\$2.00
Number of Stapled Securities available under the Offer	57.2 million
Proceeds from the Offer ³	\$114.3 million
Number of Stapled Securities on issue as at Allotment	71.5 million
Market capitalisation at the Offer Price ⁴	\$143.0 million
Forecast FY15 annualised Distribution Yield per Stapled Security	8.25%
Forecast FY16 Distribution Yield per Stapled Security	8.50%
Expected tax deferred component of Distributions over the Forecast Period	Approximately 31% to 36%
Pro forma NTA per Stapled Security at Allotment	\$1.91
Offer Price premium to pro forma NTA per Stapled Security at Allotment	4.9%

Key Portfolio Metrics Upon Completion ⁵	
Number of Properties (including the 5 Existing Assets and 3 New Properties to be acquired)	8
Independent valuation as at 23 September 2014	\$182.9 million ⁵
Net Lettable Area	69,836 sqm
Weighted average Initial Yield ⁶	8.8%
Weighted average Capitalisation Rate ⁷	8.9%
Occupancy	99.5%
Weighted Average Lease Expiry (WALE) ⁸	5.5 years

Notes:

- (2) This information is based on the Forecast Financial Information and is subject to risk, uncertainties and assumptions disclosed in Section 6 and 9 of this PDS.
- (3) Stapled Securities of Existing Investors that did not elect to participate in the Cash Out Facility total \$28.7 million as at Allotment (assuming a Stapled Security price equal to the Offer Price of \$2.00 per Stapled Security, although Stapled Securities may trade above or below the Offer Price). Stapled Securities of Existing Investors that elected to participate in the Cash Out Facility total \$13.7 million, based on a redemption price of \$2.00 per Stapled Security.
- (4) Based on total number of Stapled Securities on issue after completion of the Offer (rounded to one decimal place) at the Offer Price of \$2.00 per Stapled Security. If Stapled Securities trade above or below the Offer Price, the market capitalisation will be lower or higher than \$143.0 million.
- (5) This includes five existing properties held by the Fund (including one leasehold interest (refer to Section 13.7)) and the three New Properties proposed to be acquired by the Fund subject to the listing of the Fund on the ASX (refer to Section 13.6 for a summary of the contracts for sale).
- (6) As at 1 December 2014, weighted by independent valuation.
- (7) Weighted by independent valuation
- (8) By area.

Key Dates

PDS lodgement date	Tuesday, 11 November 2014
Broker Firm Offer and Centuria Priority Offer open	Wednesday, 19 November 2014
Broker Firm Offer and Centuria Priority Offer close	Wednesday, 3 December 2014
Allotment	Tuesday, 9 December 2014
Expected commencement of trading on ASX on a deferred settlement basis	Wednesday, 10 December 2014
Expected dispatch of holding statements	Thursday, 11 December 2014
Commencement of trading on ASX on a normal settlement basis	Friday, 12 December 2014

All dates are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEDT. CPFL, reserves the right, with consent from the Bookrunners to vary the times and dates of the Offer including to close the Offer or any part of it early, extend the Offer or any part of it and to accept late Applications, either generally or in particular cases, without notification.

How to Invest

Applications for Stapled Securities can only be made by completing and lodging the applicable Application Form attached to or accompanying this PDS.

Instructions on how to apply for Stapled Securities are set out in Section 10 and on the back of the Application Form.

If you require a replacement Application Form please contact the Offer Information Line on 1300 721 463 (within Australia) or +61 3 9415 4300 (outside Australia) between 8.30am and 5.30pm (AEDT) Monday to Friday during the Offer Period.

Chairman's Letter

Dear Investor

I am pleased to offer you this opportunity to invest in the Centuria Metropolitan REIT (the Fund), an Australian real estate investment trust which will offer investors exposure to a quality Portfolio upon Completion of five office and three industrial assets (including five existing properties (including one leasehold interest) and the three New Properties)⁹. The Fund's Portfolio will be geographically diversified across Sydney, Brisbane and Adelaide and has been independently valued at \$182.9 million.

The Fund will offer investors:

- an attractive financial profile with Distributions paid quarterly;
 - pro forma forecast Distribution Yield for the seven months ending 30 June 2015 of 8.25% (annualised)
 - forecast Distribution Yield for the year ending 30 June 2016 of 8.50%
- a conservative capital structure with a target Gearing range between 25% and 35% and Gearing of 25% at Allotment as detailed in Section 6.8;
- exposure to quality, well diversified office and industrial Portfolio located in metropolitan markets across Australia. Key metrics of the Fund's Portfolio upon Completion include:
 - a 5.5 year Weighted Average Lease Expiry (WALE)¹⁰
 - 99.5% occupancy
 - an 8.9% capitalisation rate¹¹
- income returns underpinned by leases to reputable tenants with 88% of leasing containing fixed rental reviews at an average of 3.7%¹²;
- the potential for capital growth over time where the value of the Fund's properties appreciates; and
- access to the capabilities of Centuria, an ASX listed specialist property fund manager and financial services provider.

The Fund is forecasting a Distributable Earnings Yield for the seven months ending 30 June 2015 of 8.80% per annum (annualised), increasing to 9.00% per annum for the year ending 30 June 2016. **Investors should note that the forecast Distribution Yields and forecast Distributable Earnings Yields are subject to risk, assumptions and sensitivities. These assumptions and risks are outlined in Sections 6 and 9 of this PDS.**

The Fund intends to make the first Distribution following Allotment for the period from 1 December 2014 and ending 31 March 2015 and then quarterly thereafter. The Fund will aim to distribute between 90% and 100% of its Distributable Earnings each year. Approximately 31% to 36% of the Distributions over the Forecast Period are expected to be tax deferred.

Centuria Property Fund Limited (**CPFL**), the Responsible Entity of the Fund is a wholly owned subsidiary of Centuria. Centuria has been actively managing Australian metropolitan properties for over 15 years and currently has \$1.6 billion

of Funds Under Management¹³ across its property and financial services divisions. Centuria and its associates including members of the board and management will have an investment in the Fund of up to 19.9% of the Stapled Securities at Allotment, with the level to be determined by CPFL as agreed with the Bookrunners.

CPFL is seeking to raise \$114.3 million through the issue of 57.2 million Stapled Securities at an Offer Price of \$2.00 per Stapled Security. The Fund is estimated to have an NTA of \$1.91 per Stapled Security at Allotment.

The Offer comprises the Broker Firm Offer, Centuria Priority Offer and Institutional Offer. An application will be made by CPFL for the Fund to be listed, and to have its Stapled Securities quoted on the ASX.

This PDS contains important information regarding the Offer. I urge you to read it carefully and in its entirety, including Section 9, which sets out the risks associated with an investment in the Fund, and Section 12, which sets out fees and other costs associated with investing in the Fund. If you have any questions you should seek relevant professional advice before making an investment decision.

On behalf of CPFL, I recommend the Offer to you and look forward to welcoming you as an Investor in the Fund.

Yours sincerely,



Peter Done
Chairman

Centuria Property Fund Limited
as Responsible Entity of the Centuria Metropolitan REIT

Notes:

- (9) The Custodian has entered into contracts to acquire the New Properties, being 555 Coronation Drive Brisbane, 149 Kerry Road Archerfield and 13 Ferndell Street Granville, subject to the listing of the Fund on the ASX (refer to Section 13.6).
- (10) By area.
- (11) Weighted by independent valuation.
- (12) Based on gross income.
- (13) As at 30 June 2014.

Overview	Summary	Reference
What is the Centuria Metropolitan REIT?	The Centuria Metropolitan REIT will be an ASX listed REIT focused on investing in office and industrial assets in metropolitan markets across Australia. The Fund's Portfolio upon Completion will comprise five office and three industrial assets with an independent valuation of \$182.9 million as at 23 September 2014 (including five existing properties (including one leasehold interest, refer to Section 13.7) and the three New Properties). The Custodian has entered into contracts to acquire the three New Properties subject to the listing of the Fund on the ASX (refer to Section 13.6). The Fund will offer investors: • an attractive financial profile with Distributions paid quarterly; • a conservative capital structure with a target Gearing range between 25% and 35% and Gearing of 25% at Allotment; • exposure to a quality, well diversified office and industrial Portfolio located in metropolitan markets across Australia; • income returns underpinned by leases to reputable tenants; • the potential for capital growth over time; and • access to the capabilities of Centuria, an ASX listed property fund manager and financial services provider.	Section 2.1
How is the Fund structured?	The Fund comprises Centuria Metropolitan REIT No. 1 and Centuria Metropolitan REIT No. 2, being two stapled registered managed investment schemes. The Fund is externally managed by CPFL, a wholly owned subsidiary of Centuria.	Section 2.4
What is the strategy of the Fund?	The Fund will have the objective of providing Investors with income returns via quarterly Distributions and the potential for capital growth through active management activities which include property repositioning, leasing, and further investments in both office and industrial properties that are consistent with the Fund's investment criteria. The Fund will not undertake speculative developments.	Section 2.3

Investment Overview

Benefits and risks	Summary	Reference
What are the key benefits of an investment in the Fund?	Attractive financial metrics - the Fund has an attractive forecast Distribution Yield. Refer to the Distributable Earnings and Distribution section below. A conservative capital structure - target Gearing range between 25% and 35% with Gearing of 25% at Allotment, giving the Fund substantial capacity for future acquisitions. A quality, well diversified Portfolio - The Portfolio will be diversified by both geography and asset class, containing a mix of office and industrial assets across the metropolitan markets of Sydney, Brisbane and Adelaide. - The current occupancy of the Portfolio is 99.5% and it has a weighted average lease expiry profile of 5.5 years¹⁴. Exposure to reputable tenants with fixed rental reviews - The top 5 tenants of the Fund comprise over 50% of rental income and include major organisations such as BlueScope Steel, Cochlear, State Government departments and Australian subsidiaries of listed multi-national corporates. - Approximately 88% of gross income within the Portfolio will be subject to fixed rent reviews that have an average annual increase of 3.7% per annum¹⁵. Asset specific opportunities 3 Carlingford Road, Epping: CPFL is currently pursuing development approval from the Parramatta City council for use as residential apartments. 9 Help Street, Chatswood: CPFL aims to capitalise on the substantial building refurbishment works and recent energy efficient initiatives (5 star NABERS Energy rating) to maximise tenant retention and enhance market rents. 1 Richmond Road, Keswick: CPFL is working to sub-divide 8,590 square metres of spare land at the rear of the Property with a view for a future sale or preleased development. Longer term potential opportunities: CPFL is investigating further repositioning opportunities. An experienced manager in Centuria - Centuria is an ASX listed property fund manager and financial services provider and has been operating, acquiring, managing and transacting office and industrial assets in the Australian market for over 15 years. - Centuria has over 60 employees, including over 30 dedicated property professionals. - Nicholas Collishaw, CEO - Listed Property Funds will be the Trust Manager and Ben Harvie will be the Assistant Trust Manager.	Section 2.2 and 6.5

Notes:

(14) By area.

(15) Based on gross income.

Benefits and risks	Summary	Reference
What are the key risks of an investment in the Fund?	The key risks associated with an investment in the Fund are set out in detail in Section 9 of this PDS. Risks specific to an investment in the Fund include but are not limited to: • Rental income risk: Distributions made by the Fund will be largely dependent on the rents received from tenants across the Portfolio and expenses incurred during operations, which may be affected by a number of macroeconomic and property specific factors; • Tenant concentration: Some of the properties in the Portfolio are single tenanted, exposing the performance and value of each of those properties to the ability of those tenants to continue to meet their obligations under the respective lease. In aggregate, approximately 50% of gross income is generated from five tenants; • Re-leasing and vacancy: There is a risk that expiring leases may not be renewed in accordance with the Fund's assumptions in relation to let-up periods and rents; • Property market valuations: The ongoing value of the properties held by the Fund may fluctuate due to a number of factors. Those relevant to determining value include rental, occupancy levels and Capitalisation Rates all of which may change for a variety of reasons; • Property liquidity: Property assets are by their nature illiquid investments. The Fund may not be able to realise the assets within a short period of time or may not be able to realise assets at valuation; • Capital expenditure: The forecast capital expenditure represents CPFL's current best estimate of the associated costs in maintaining the Portfolio. There is a risk that the required capital expenditure exceeds the current forecasts which could lead to increased funding costs and impact Distributions; • Completion risk: The Custodian has entered into contracts in respect of the acquisition of the New Properties subject to the Fund listing on the ASX. See Section 13.6 for information on these agreements. Failure of a third party to comply with the contracts could result in a delay in, or failure to complete, the acquisition of the New Properties; • Leasehold interest risk: The Fund holds a leasehold interest in the property at 44 Hampden Road, Artarmon. See section 13.7 for information on the lease. In certain circumstances, including due to unremedied breaches of the lease by the tenant, the landlord could require the lease to be sold and assigned and could terminate the lease where this does not occur within a specified period. General risks of an investment in the Fund include: • General risks that are associated with any investment in a listed entity such as the Fund including exposure to market volatility that can adversely affect the value of an investment in the Fund; • Macroeconomic changes in the general economic outlook both in Australia and globally; • Changes in law, government legislation, regulation and policy, including in relation to tax, may adversely affect the value of the Portfolio and/or the Fund's future distributions; and • Changes in accounting standards may affect the reported earnings and financial position of the Fund in future financial periods.	Section 9

Investment Overview

Portfolio	Summary	Reference
What are the key metrics of the Portfolio?	Key Portfolio metrics upon Completion¹⁶	Section 2.1
	Number of Properties (including the 5 Existing Assets and 3 New Properties to be acquired)	
	Independent valuation ¹⁷	
	Purchase price	
	Weighted average Initial Yield ¹⁸	
	Weighted average Capitalisation Rate ¹⁹	
	Net Lettable Area (NLA)	
	Occupancy (by NLA)	
	WALE (by NLA) ²⁰	
What assets will comprise the property Portfolio upon Completion?	Property	Section 3
	Independent valuation (\$m)²¹	
	Cap rate	
	NLA (sqm)	
	WALE (years)	
	Occupancy	
	Office	
	9 Help Street, Chatswood	
	555 Coronation Drive, Brisbane	
	1 Richmond Road, Keswick	
	3 Carlingford Road, Epping	
	44 Hampden Road, Artarmon	
	Industrial	
	149 Kerry Road, Archerfield	
	14 Mars Road, Lane cove	
	13 Ferndell Street, Granville	
	Grand Total	

Notes:

(16) This includes five existing properties held by the Fund (including one leasehold interest (refer to Section 13.7)) and the three New Properties proposed to be acquired by the Fund, subject to the listing of the Fund on the ASX (refer to Section 13.6 for a summary of the contracts for sale).

(17) As at 23 September 2014.

(18) As at 1 December 2014, weighted by independent valuation.

(19) Weighted by independent valuation.

(20) By area.

(21) As at 23 September 2014.

(22) Excludes Council of the City of Willoughby lease which expires in June 2090.

(23) 44 Hampden Road, Artarmon is a leasehold interest. The WALE excludes the sub lease to the Artarmon Masonic Hall which expires in March 2114.

Portfolio	Summary	Reference
Who are the major tenants?	The top five tenants include:  16.6% BlueScope Steel Limited  10.3% Cochlear Limited  9.0% Minister for Transport & Infrastructure  8.5% CSC Australia Pty Limited  7.5% CH2M Hill	Section 2.2.4 and 3
How will the Portfolio be formed?	The Portfolio will be formed from five Existing Assets and the acquisition of three New Properties ²⁴ .	Section 3.1
Responsible Entity		
Who is the Responsible Entity of the Fund?	The Responsible Entity of the Fund is CPFL, a wholly owned subsidiary of Centuria.	Section 2.4
Who is Centuria?	Centuria is an ASX listed property fund manager and financial services provider which has a market capitalisation of \$70 million ²⁵ and approximately \$1.6 billion in funds under management ²⁶ .	Section 5.1
Will the Centuria Group hold Stapled Securities in the Fund?	Centuria and its associates including members of the board and management will have an investment in the Fund of up to 19.9% of the Stapled Securities at Allotment in accordance with the Subscription Agreement, with the level to be determined by CPFL as agreed with the Bookrunners.	Sections 10.2 and 13.8
Who are the Directors of CPFL?	Peter Done, Non-Executive Chairman - Peter has over 40 years' experience in the financial services industry - Peter joined Peat Marwick Mitchell & Co (now known as KPMG) in 1968, where he held the position of partner from 1979 until his retirement in 2006 - Peter was appointed to the Board of CPFL in December 2007 and is a member of CPFL's Audit, Risk Management and Compliance Committee (ARMCC) - Peter is a Non-Executive Director of Centuria Matthew Hardy, Independent Non-Executive Director - Matthew has over 30 years' experience at a senior level in direct real estate, equities and funds management - Matthew joined the Board of CPFL in July 2013 and is a member of CPFL's ARMCC	Section 5.2

Notes:

(24) The Custodian has entered into contracts to acquire the New Properties which include 555 Coronation Drive Brisbane, 149 Kerry Road Archerfield and 13 Fernfell Street Granville.

(25) As at 31 October 2014.

(26) As at 30 June 2014.

Investment Overview

Responsible Entity	Summary	Reference
Who are the Directors of CPFL? (continued)	Jason Huljich, Executive Director and CEO – Unlisted Property Funds • Jason has extensive experience in the commercial property sector with specialist skills in private property investment • He is currently President of the Property Funds Association (PFA) and sits on the National Executive Committee • Jason is an Executive Director of Centuria and joined the Board of CPFL in March 2001	Section 5.2
Who are the senior management team of CPFL?	The senior management team of the CPFL includes: Nicholas Collishaw, CEO – Listed Property Funds • Nicholas Collishaw was appointed CEO – Listed Property Funds, on 1 May 2013 • Prior to this position, Nicholas held the position of CEO and Managing Director at the Mirvac Group • During Nicholas' career, spanning over 30 years, he has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management gaining extensive experience in all major real estate markets in the United States, United Kingdom and Middle East Ben Harvie, Head of Funds Management – Unlisted Property and Assistant Fund Manager – Listed Property • Ben joined Centuria in October 2009 and became Head of Funds Management in July 2012 • Prior to becoming a member of the Centuria team, Ben worked for five years at the Miller Group Limited, one of the UK's largest privately owned property investment and development companies	Section 5.3
What fees will CPFL receive?	CPFL is entitled to receive a management fee for acting as the Responsible Entity of the Fund equal to 0.55% per annum of Gross Asset Value (GAV) calculated and paid monthly. CPFL will also be entitled to be reimbursed for expenses relating to proper performance of its duties as Responsible Entity.	Section 12
Are there related party transactions with the Centuria Group?	CPFL has engaged Centuria Property Services, a wholly owned subsidiary, to provide property management, development management and facilities management services in respect of various properties in the Fund. See Section 12.2 for information on fees payable to Centuria Property Services under these arrangements. See Sections 13.1 and 13.2 for summaries of the Management Services Agreements and the Development and Project Management Services Agreement. The appointment of Centuria Property Services is on commercial arms' length terms and will be subject to regular review.	Sections 12.2, 13.1, 13.2, 14.1.6 and 15.5
Financial Information		
What is the pro forma NTA per Stapled Security?	The Fund is estimated to have an NTA of \$1.91 per Stapled Security at Allotment.	Section 6.4

Distributable Earnings and Distribution	Summary	Reference
What is the Fund's forecast Distributable Earnings Yield and forecast Distribution Yield?	The forecast Distributable Earnings Yield of the Fund is: • 8.80% pro forma for the period from 1 December 2014 until 30 June 2015 (annualised); and • 9.00% for the year ending 30 June 2016. The forecast Distribution Yield of the Fund is: • 8.25% pro forma for the period from 1 December 2014 until 30 June 2015 (annualised); and • 8.50% for the year ending 30 June 2016. This represents a forecast payout ratio of 93.8% of Distributable Earnings for the year ending 30 June 2015 and a forecast payout ratio of 94.5% for the year ending 30 June 2016. Investors should note that the forecast Distribution Yields and forecast Distributable Earning Yields are subject to risk, assumptions and sensitivities see Section 6.7 of the PDS.	Section 6.5
What is the Fund's Distribution policy?	The Fund will aim to distribute between 90% and 100% of its Distributable Earnings each year.	Section 2.7
What portion of Distributions will be tax deferred for Australian tax purposes?	Approximately 36% of the Distributions over the forecast period from 1 December 2014 to 30 June 2015 are expected to be tax deferred. Approximately 31% of the Distributions over the forecast period for the year ended 30 June 2016 are expected to be tax deferred.	Section 6.5
Are Distributions guaranteed?	CPFL can provide no guarantee as to the extent of future Distributions and these will depend on the future Distributable Earnings of the Fund and its financial position at that time.	Section 2.7
Taxation implications		
What are the tax implications?	There may be tax implications arising from Applications for Stapled Securities. These implications will differ depending on the individual circumstances of the Applicant. Applicants should obtain professional taxation advice about the consequences of investing from a taxation perspective in the Fund in light of their particular circumstances.	Section 11
Governance		
What are the key governance arrangements for the Fund?	The Board is responsible for the overall corporate governance of CPFL and the Fund, including implementing appropriate policies and procedures in order for CPFL to fulfil its functions effectively and responsibly. The Board recognises the role and importance of good corporate governance and is committed to high standards of compliance. CPFL's corporate governance framework is supported by the Board determining appropriate corporate governance arrangements for CPFL and the Fund and the ongoing monitoring of those arrangements.	Section 14
Who appoints the Directors of CPFL?	As CPFL is a member of the Centuria Group, the Directors are appointed by Centuria.	
Will annual and half-yearly financial reports be provided to Investors?	For both tax and reporting purposes, the Fund reports on a 30 June financial year end basis. Formal reporting will be provided to Investors as at 30 June (full year) and 31 December (interim) each year.	Section 2.8

Investment Overview

Overview of the Offer	Summary	Reference
What is the Offer?	The Offer is an offering of 57.2 million Stapled Securities at an Offer Price of \$2.00 per Stapled Security. The Offer is expected to raise \$114.3 million for the Fund.	Section 10.1
How is the Offer Structured?	The Offer made under this PDS is structured as follows: - the Broker Firm Offer, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker; - the Centuria Priority Offer, which is open to Eligible Centuria Investors; and - the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and certain other overseas jurisdictions (excluding the United States) to bid for Stapled Securities.	Section 10.3
What are the terms of the Offer?	The terms of the Offer are: - Offer Price of \$2.00 per Stapled Security. - raising of \$114.3 million (57.2 million Stapled Securities). - minimum application of 1,000 Stapled Securities (\$2,000) and in multiples of 250 Stapled Securities (\$500) thereafter under the Broker Firm Offer and the Centuria Priority Offer. - Broker Firm Offer and Centuria Priority Offer open at 9.00am (AEDT) on Wednesday, 19 November 2014. - Broker Firm Offer and Centuria Priority Offer close at 5.00pm (AEDT) on Wednesday, 3 December 2014. - Stapled Securities are expected to commence trading on the ASX by Wednesday, 10 December 2014 on a deferred settlement basis.	Section 10
How will the proceeds of the Offer be used?	The proceeds of the Offer will be used to: - fund the redemption of the Stapled Securities in the Fund held by the Existing Investors who have elected to exit through the Cash Out Facility; - fund the purchase of the New Properties; - reduce the level of debt in the Fund; and - pay for some of the transaction costs.	Section 10.1
Who can participate in the Offer?	The Broker Firm Offer is only open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker. The Centuria Priority Offer is open to Centuria Investors, being Eligible Centuria Shareholders and Eligible Centuria Fund Investors who registered an expression of interest in the Offer with CPFL on or before 24 October 2014. The Institutional Offer comprised an invitation to Australian resident Institutional Investors and Institutional Investors in certain other overseas jurisdictions.	Section 10

Overview of the Offer	Summary	Reference
What are the conditions precedent to the Offer going ahead?	The Offer will be subject to the satisfaction or waiver by CPFL of the following conditions: - the execution of binding documentation and satisfaction of all conditions precedent in relation to the Debt Facility; and - no Material Adverse Change occurring prior to Allotment.	Section 13.4
What are the maximum and minimum application amounts?	For Applicants under the Broker Firm Offer and Centuria Priority Offer, the minimum Application amount is 1,000 Stapled Securities (\$2,000) and in multiples of 250 Stapled Securities (\$500) thereafter. There is no priority allocation under the Centuria Priority Offer. Applicants under the Institutional Offer will be provided further information regarding the Institutional Offer from the Bookrunners. There is no maximum Application amount.	Section 10.4 and 10.5
What is the allocation policy?	The allocation of Stapled Securities between the Institutional Offer, the Broker Firm Offer and the Centuria Priority Offer was determined by the Bookrunners in consultation with CPFL, having regard to a number of factors set out in Section 10.7. The allocations are as follows: - The Broker Firm Offer of approximately \$55 million; and - The Institutional Offer of approximately \$60 million, which includes the allocation to Centuria and its associates including members of the board and management and the Centuria Priority Offer. CPFL expects to announce the final allocation policy under the Broker Firm Offer and the Centuria Priority Offer on or about Wednesday, 10 December 2014 in The Australian and The Australian Financial Review.	Section 10.7
What is a Stapled Security?	A Stapled Security consists of one unit in Centuria Metropolitan REIT No. 1 and one unit in Centuria Metropolitan REIT No. 2, trading together as a Stapled Security.	Section 2.1 and 2.4
What does Stapling mean?	Stapling is the linking together of two or more securities so that one security may not be issued, transferred or otherwise dealt with without a corresponding and simultaneous issue, transfer or dealing with the other securities and in the context of quoted securities, means that they are quoted on the ASX jointly as a stapled security.	Glossary
Will the Stapled Securities be quoted?	CPFL will apply for the Fund to be admitted to the Official List of the ASX and quotation of the Stapled Securities on the ASX within seven days of lodgement of this PDS. The Fund's expected ASX code will be CMA. It is expected that holding statements will be dispatched on or about Thursday, 11 December 2014.	Section 10.10

Investment Overview

Overview of the Offer	Summary	Reference
When can I sell my Stapled Securities on the ASX?	It is expected that, subject to receipt of the required approvals from the ASX, trading of Stapled Securities will commence on or about Wednesday, 10 December 2014 initially on a deferred settlement basis pending dispatch of holding statements. If Applicants sell Stapled Securities before receiving a holding statement they do so at their own risk. It is expected that trading of Stapled Securities will commence on a normal settlement basis on or about Friday, 12 December 2014.	Section 10.10
Is the Offer underwritten?	Yes, the Offer is underwritten by the Bookrunners (excluding the 9,975,000 Stapled Securities the subject of the Subscription Agreement, details of which are set out in Section 13.8). CPFL and the Bookrunners have entered into an Underwriting Agreement in respect of the Offer. The total fees payable to the Bookrunners shall not exceed \$3.45 million.	Section 10.8 and 13.5
How can I apply?	Broker Firm Offer Applicants Broker Firm Offer Applicants must lodge their Broker Firm Application Forms and Application Monies in accordance with the directions of their Broker in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application to the Registry. Centuria Priority Offer Applicants Applications under the Centuria Priority Offer can be made by completing and lodging a paper copy of the Application Form in accordance with the instructions on the Application Form or online at www.centuriareitoffer.com.au. An Application Form accompanies this PDS and the PDS in electronic form, which is available at www.centuriareitoffer.com.au. An Application must be accompanied by payment in Australian currency of the Application Monies. Institutional Offer Applicants The Bookrunners will separately advise Institutional Investors of the Application procedures for the Institutional Offer.	Section 10
When do I apply?	Key dates for the Offer are set out in the Key Offer Information Section. Applications under the Broker Firm Offer and Centuria Priority Offer will only be accepted throughout the Broker Firm Offer and Centuria Priority Offer period which opens at 9.00am (AEDT) on Wednesday, 19 November 2014 and closes at 5.00pm (AEDT) on Wednesday, 3 December 2014. All times and dates are indicative only and subject to change. If you wish to participate in the Offer you are encouraged to submit your Broker Firm Application Form or Application Form as soon as possible when the Broker Firm Offer and Centuria Priority Offer open.	Key Offer Information and Section 10
Is there a cooling-off period?	There will not be a cooling-off period in relation to Applications. Once an Application has been lodged, it cannot be withdrawn.	Section 10.14

Fees and costs	Summary	Reference
What are the fees and other costs associated with the Offer?	Total fees and costs are expected to be \$8.9 million. Costs borne by the Existing Investors in relation to the development and implementation of the Transaction amount to \$1.2 million. Additional costs are expected to be incurred by the Fund of up to \$7.7 million.	Section 12.3
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants who apply for Stapled Securities using an Application Form. Various fees in relation to the Offer may be payable by the Fund to the Bookrunners and Joint Lead Managers. The Bookrunners will pay a handling fee of 1.5% of the gross proceeds of the Stapled Securities allocated to each Broker under the Broker Firm Offer. These fees are payable by the Bookrunners and will not be payable by Investors or directly by the Fund.	Section 10.12 and 12.3
Important documents		
What are the key agreements relevant to the Fund or the Offer?	The key agreements relevant to the Fund or the Offer are as follows: • Management Services Agreements in respect of the provision by Centuria Property Services of property management and other services in respect of various assets of the Fund; • Development and Project Management Services Agreement in respect of the provision by Centuria Property Services of development management and project management services; • the Constitutions for the Fund; • credit and pricing approved terms sheet with National Australia Bank Limited in respect of the Debt Facility; • Underwriting Agreement in respect of the appointment of the Bookrunners as joint bookrunners, joint lead managers and underwriters to the Offer (excluding the Stapled Securities the subject of the Subscription Agreement, details of which are set out in Section 13.8); • contracts for sale of land in respect of the acquisition of the New Properties; • lease held by the Fund of the property at 44 Hampden Road, Artarmon; and • Subscription Agreement in respect of the investment by Centuria and its associates.	Section 13
Further information		
Where can I find out more information about the Offer?	If you have any further enquiries regarding the Offer, please contact the Offer Information Line on 1300 721 463 (within Australia) or +61 3 9415 4300 (outside Australia) between 8.30am and 5.30pm (AEDT) Monday to Friday during the Offer Period.	Corporate Directory

Centuria Metropolitan REIT

2.1 Overview of the Fund

The Centuria Metropolitan REIT will be an ASX listed REIT focused on investing in office and industrial assets in metropolitan markets across Australia.

The Fund comprises Centuria Metropolitan REIT No. 1 and Centuria Metropolitan REIT No. 2, being two stapled registered managed investment schemes. The Fund was established in 2005 as an unlisted REIT. Existing Investors voted in favour of resolutions to facilitate the Listing of the Fund on 24 October 2014.

The Fund will hold a Portfolio upon Completion of eight office and industrial assets valued at \$182.9 million as at 23 September 2014, diversified across Sydney, Brisbane and Adelaide metropolitan markets.

A summary of the Portfolio is below, with further detail of each property provided in Section 3.

Key Portfolio metrics upon Completion²⁷

Number of Properties (including the 5 Existing Assets and the 3 New Properties to be acquired)	8
Independent valuation ²⁸	\$182.9m ²⁷
Purchase price	\$182.1m
Weighted average Initial Yield ²⁹	8.8%
Weighted average Capitalisation Rate ³⁰	8.9%
Net Lettable Area (NLA)	69,836 sqm
Occupancy (by NLA)	99.5%
WALE ³¹	5.5 years

2.2 Benefits of an investment in the Fund

2.2.1 Attractive financial metrics

The forecast Distributable Earnings Yield of the Fund is:

- 8.80% pro forma for the period from 1 December 2014 until 30 June 2015 (annualised); and
- 9.00% for the year ending 30 June 2016.

The forecast Distribution Yield of the Fund is:

- 8.25% pro forma for the period from 1 December 2014 until 30 June 2015 (annualised); and
- 8.50% for the year ending 30 June 2016.

This represents a forecast payout ratio of 93.8% of Distributable Earnings for the year ending 30 June 2015 and a forecast payout ratio of 94.5% for the year ending 30 June 2016.

The Fund will aim to distribute between 90% and 100% of Distributable Earnings each year.

Notes:

(27) This includes five existing properties held by the Fund (including one leasehold interest (refer to Section 13.7)) and the three New Properties proposed to be acquired by the Fund, subject to the listing of the Fund on the ASX (refer to Section 13.6 for a summary of the contracts for sale).

(28) As at 23 September 2014.

(29) As at 1 December 2014, weighted by independent valuation.

(30) Weighted by independent valuation.

(31) By area.

2.2 Benefits of an investment in the Fund (continued)

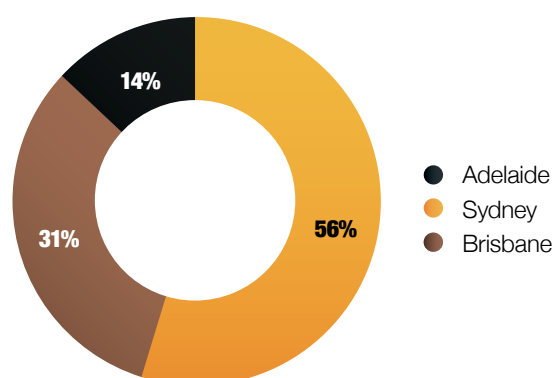
2.2.2 Conservative capital structure

The Fund will have a conservative capital structure with a target Gearing between 25% and 35% and Gearing of 25% at Allotment. This will give the Fund substantial capacity for future acquisitions.

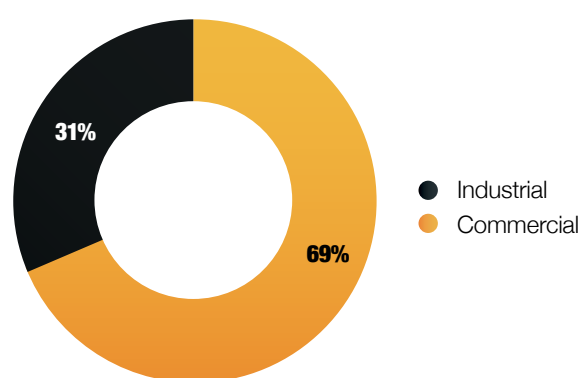
2.2.3 Quality, well diversified portfolio

The Portfolio will be diversified by both geography and asset class, containing a mix of office and industrial assets across the metropolitan markets of Sydney, Brisbane and Adelaide.

Geographic diversification⁽³²⁾

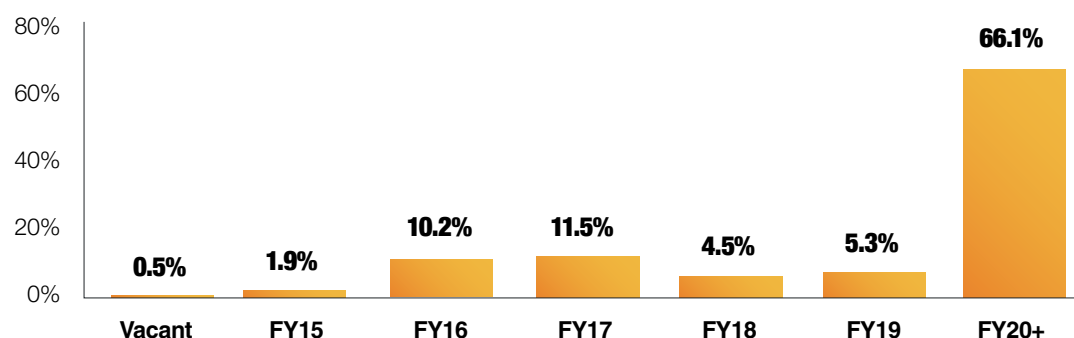


Asset diversification⁽³³⁾



The current occupancy of the Portfolio is 99.5% and it has a weighted average lease expiry profile of 5.5 years⁽³⁴⁾.

Portfolio Lease expiry profile (by NLA)



Notes:

(32) By independent valuation.

(33) By independent valuation.

(34) By area.

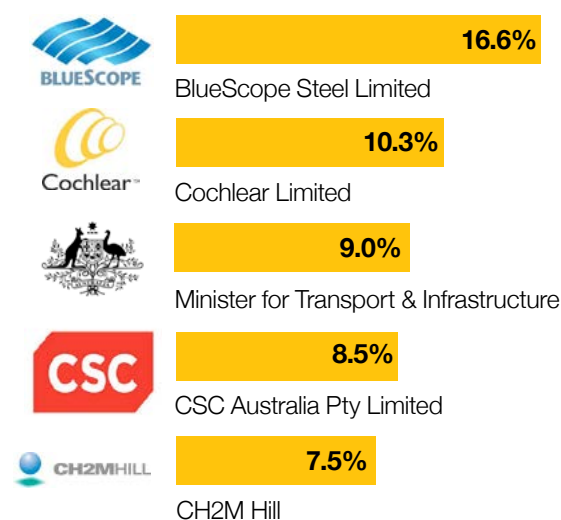
Centuria Metropolitan REIT

2.2 Benefits of an investment in the Fund (continued)

2.2.4 Reputable tenants with fixed rental reviews

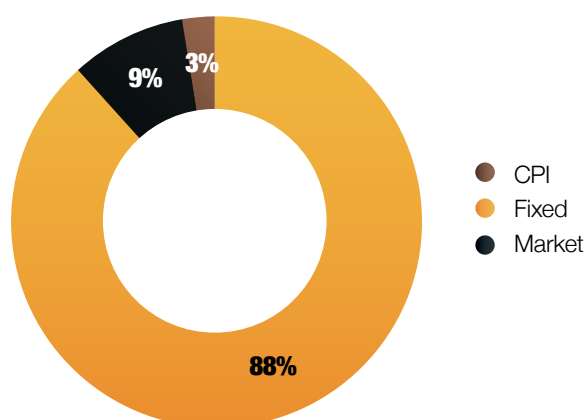
The top five tenants of the Fund will comprise over 50% of rental income and include major organisations such as BlueScope Steel, Cochlear, State Government departments and Australian subsidiaries of listed multi-national corporates.

Portfolio tenant diversification: Top 5 tenants (by gross income)



Approximately 88% of gross income within the Portfolio will be subject to fixed rent reviews that have an average annual increase of 3.7% per annum³⁵.

Portfolio Rent review type (by gross income)



Notes:

(35) Based on gross income.

2.2.5 Asset specific opportunities

Centuria believes the Portfolio offers Investors a number of asset specific opportunities. These include:

- **3 Carlingford Road, Epping:** CPFL is currently pursuing development approval from the Parramatta City council for use as residential apartments. This property is within the recently approved Epping Town Centre Activation Precinct and Centuria estimates a development approval could generate up to 150 apartments.
- **9 Help Street, Chatswood:** CPFL aims to capitalise on the substantial building refurbishment works undertaken in 2010 and the recent energy efficiency initiatives (5 Star NABERS Energy rating) to maximise tenant retention and enhance market rents.
- **1 Richmond Road, Keswick:** Richmond Road has 8,590 square metres of surplus land at the rear of the Property. CPFL is working to sub-divide this land with a view for a future sale or preleased development.
- **Longer term potential opportunities:** CPFL is investigating further repositioning opportunities.

2.2.6 An experienced manager

Centuria is an ASX listed specialist property fund manager and financial services provider and has been operating, acquiring, managing and transacting office and industrial assets in the Australian market for over 15 years.

Nicholas Collishaw, CEO - Listed Property Funds is the Fund Manager and Ben Harvie is the Assistant Fund Manager.

Investors will benefit from Centuria's expert management team of over 60 employees including over 30 dedicated property professionals servicing the Fund in areas such as accounting and treasury, leasing, acquisitions and property management.

2.3 Strategy of the Fund

The Fund will have the objective of providing Investors with income returns via quarterly Distributions and the potential for capital growth through active management activities which include property repositioning, leasing, and further investments in both office and industrial properties that are consistent with the Fund's investment criteria. The Fund will not undertake speculative developments.

Acquisition strategy

The Fund's acquisition strategy will be to selectively acquire additional office and industrial properties in metropolitan markets that meet some or all of the following investment criteria:

- generating stable income returns;
- located in growth markets with favourable supply and demand dynamics;
- refurbishment and/or repositioning opportunities with the potential to enhance income and capital growth;
- potential for capital gains;
- potential for positive rental growth;
- provides geographic and economic diversification across the Portfolio;
- adheres to the long term Gearing target range of 25-35%, however the Fund may temporarily move outside this band as determined by market conditions; and
- overall, has the potential to enhance risk-adjusted returns to Investors.

The Fund's specific approach to assessing acquisition opportunities will focus on the following elements:

- analysing current and expected sub-market supply and demand characteristics;
- comprehensive property due diligence including assessment of a building's fabric and the standard of its services, with a particular focus on capital expenditure requirements;
- review of the quality of tenant profile, lease term and opportunity for rental growth or leasing up of vacant space; and
- outlining potential refurbishment or redevelopment opportunities.

Portfolio Management

With respect to managing the Fund, CPFL will take a proactive approach, including:

- undertaking active management of the assets within the Portfolio to enhance returns which may include disposal and acquisition opportunities;
- actively managing the Fund's capital structure to ensure equity returns are maximised, having regard to maintaining appropriate liquidity within the Fund's debt facilities to allow for capital expenditure and acquisition opportunities;
- managing the Fund's debt maturity and hedging profile to minimise interest expense and refinancing risk; and
- leveraging the expertise and relationships of Centuria.

Asset Management

With respect to managing the properties within the Portfolio, CPFL will seek to:

- enhance occupancy by letting up vacancies;
- proactively manage leasing to enhance cash flow and lease terms; and
- actively manage existing and prospective tenant space requirements to leverage returns and cash flow security for the Fund;
- undertake refurbishment works that optimise a building's potential to attract quality tenants; and
- undertake refurbishments or extensions, where supported by a strong business case that meet the Fund's target investment parameters.

Centuria Metropolitan REIT

2.4 Management and structure of the Fund

CPFL, in its capacity as the Responsible Entity of the Fund, is responsible for the overall activities and management of the Fund.

CPFL is a wholly owned subsidiary of Centuria, an ASX listed specialist property fund manager and financial services provider. Centuria has been operating, acquiring, managing and transacting office and industrial assets in the Australian market for over 15 years. Centuria currently has approximately \$1.6 billion of funds under management (FUM) invested across property and annuity style financial products³⁶. Property FUM is approximately \$0.9 billion and is currently invested across 21 funds comprising 28 properties³⁷.

CPFL management responsibilities, strategy and governance structure

The primary responsibilities of CPFL and the Fund's management team include:

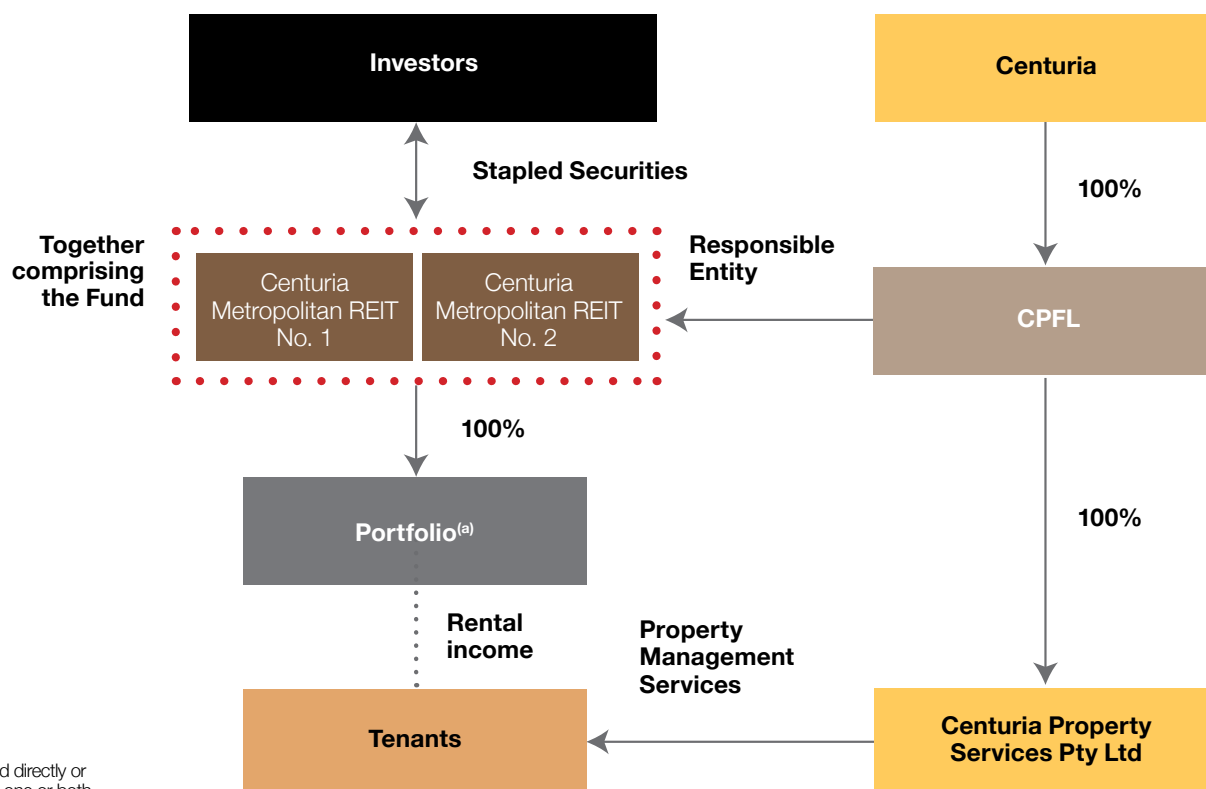
- administering the Fund's portfolio including leasing of vacant space, lease negotiations with existing tenants, rent collections, approving asset plans and budgets;
- providing strategic direction for the portfolio including evaluating and approving asset acquisitions / disposals, managing the Fund's capital structure, both debt and equity and interest rate hedging policy;

- overseeing ASX, investor relations, public communications, operating the Fund in accordance with its duties and obligations as Responsible Entity and other regulatory compliance for the Fund;
- implementing appropriate risk management for the Fund;
- providing accounting and financial reporting for the Fund; and
- providing tax management services for the Fund.

The Fund will rely on the resources and expertise of the Centuria Group and may appoint external service providers to assist it in performing its functions.

The structure of the Fund is shown in the diagram below.

Fund Structure

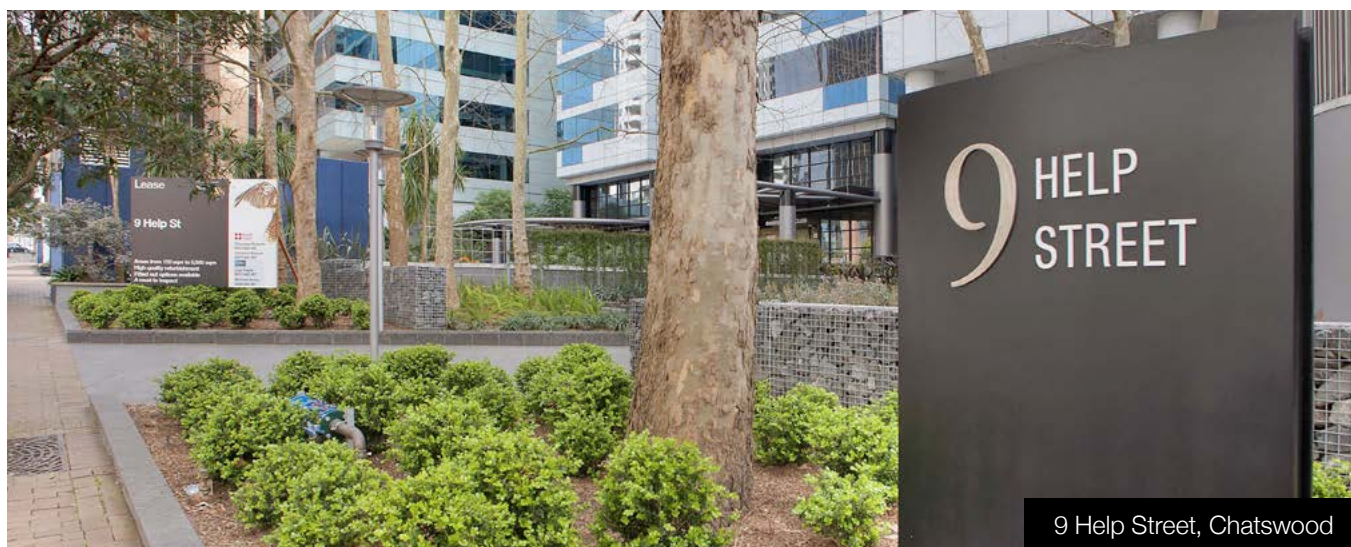


Notes:

(a) Portfolio held directly or indirectly by one or both of the stapled funds.

(36) As at 30 June 2014.

(37) As at 30 June 2014.



9 Help Street, Chatswood

2.5 Financing arrangements

The Fund will use a combination of debt and equity to finance its operations. The target Gearing range is between 25% and 35% with Gearing of 25% at Allotment. Gearing is calculated as interest bearing liabilities less cash divided by total tangible assets less cash.

2.5.1 Debt Facility

CPFL has obtained a credit and pricing approved terms sheet from National Australia Bank Limited to provide the Fund with a revolving cash advance facility of up to the lesser of \$55 million and 50% of assessed “as-is” market value, with an expiry date of 31 December 2019. The Debt Facility will only be available on finalisation and execution of financing documents and satisfaction of each condition precedent in the financing documents. The execution of binding documentation and the satisfaction of all conditions in relation to the Debt Facility is a condition precedent to the Offer.

The Fund may use this Debt Facility:

- to assist with the acquisition of the New Properties;
- to refinance the existing debt of the Fund;
- to assist in funding future acceptable acquisitions; and
- for capital expenditure on the Portfolio or for costs associated with leasing the Portfolio.

The Debt Facility has a number of financial covenants which include:

- a maximum 50% Loan to Value Ratio (LVR), defined as the amount outstanding under the Debt Facility divided by the as-is market value of the Properties, based on the most recent valuation accepted by the Bank; and
- a minimum interest cover of 2.0 times, calculated as actual net rental income from secured properties over the preceding 12 months divided by all finance charges arising from the Debt Facility over the preceding 12 month period.

Further information on the Debt Facility can be found in Section 13.4.

2.5.2 Interest rate hedging policy

CPFL will use derivative financial instruments to hedge the risks to the Fund associated with the fluctuation of interest rates. CPFL will target a range for fixed interest exposure between 50% and 100% of drawn borrowings and will manage the hedge expiry profile through different maturity dates in hedging agreements.

The Fund intends to hedge 80% of drawn debt on Allotment with a combination of three and five year interest rate swaps. It is expected that all hedging arrangements will be in place within 20 business days of Allotment.

2.6 Valuation policy

The fair value of the Properties held by the Fund will be reviewed by the Directors at each reporting date. CPFL's assessment of fair value will be periodically confirmed by engaging an independent expert valuer to assess the fair value of each Property. It is expected that these independent valuations will occur at least once every two calendar years however changes in market conditions may require more frequent independent valuations of the properties.

The initial value of the Portfolio will be based on the independent valuations as at 23 September 2014.

2.7 Distribution policy

CPFL will aim to distribute between 90% and 100% of the Fund's Distributable Earnings each year.

The Distributable Earnings of the Fund represents net profit before tax (excluding transaction costs) adjusted for straight lining of rental income, rent free periods, gains or losses arising from movements in the fair value of investment properties, mark-to-market adjustments to derivatives and other non-cash items and the amortisation of lease incentives. CPFL intends to have regard to the cash available when determining the Distribution.

Except for the period from Allotment until 31 March 2015, CPFL intends to pay Distributions on a quarterly basis, with the first Distribution following Allotment to be paid for the period from 1 December 2014 to 31 March 2015. CPFL can provide no guarantee as to the extent of future Distributions and these will depend on the future Distributable Earnings of the Fund and its financial position at that time.

CPFL will monitor the Distribution policy of the Fund to ensure that it is meeting the ongoing objectives of the Fund and its Investors.

- Significant activities undertaken for the period; and
- Any portfolio updates CPFL deems relevant.

An annual financial report will be provided to Investors in accordance with the Corporations Act. The annual report will be audited whilst the interim financial report will be subject to review by the auditors.

CPFL will have a website that will provide information on the Fund, including access to yearly and annual reports, and Distribution information.

As a disclosing entity, the Fund is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. You have a right to obtain a copy of the following documents:

- the annual financial report most recently lodged with ASIC for the Fund;
- any half year financial report most recently lodged with ASIC for the Fund; and
- any continuous disclosure notices given to ASIC for the Fund after lodgement of that annual report and before the date of this PDS.

2.8 Reporting

For both tax and reporting purposes, the Fund reports on a 30 June financial year end basis. Formal reporting will be provided to Investors as at 30 June (full year) and 31 December (interim) each year. These reports will include:

- A statement of comprehensive income, statement of financial position, statement of changes in equity and a statement of cash flow;
- A reconciliation of profit to Distributable Earnings;
- The amount of Distributions for the period;



14 Mars Road, Lane Cove

3.1 Portfolio overview

The Fund's Portfolio upon completion will comprise five office and three industrial assets with an independent valuation of \$182.9 million³⁸, reflecting a weighted average capitalisation rate of 8.9% and an initial yield of 8.8%. The Portfolio will be formed from five Existing Assets and the acquisition of three New Properties³⁹. The Portfolio:

- is geographically diversified across the metropolitan markets of Sydney, Brisbane and Adelaide;
- is currently 99.5% occupied;
- has a weighted average lease expiry (WALE) of 5.5 years⁴⁰;
- has rental growth supported with 88% of leases containing fixed rental reviews at an average of 3.7% per annum⁴¹; and
- has the top five tenants (which include major organisations such as BlueScope Steel, Cochlear and State Government departments) comprising over 50% of rental income.

A summary of the Portfolio upon completion is outlined below:

Property	Interest	Independent valuation (\$m) ⁴²	Initial yield ⁴³	Cap rate	NLA (sqm)	WALE (years)	Occupancy
Office							
9 Help Street, Chatswood	100%	43.0	8.5%	8.50%	9,394	1.7 ⁴⁴	100.0%
555 Coronation Drive, Brisbane	100%	33.8	9.5%	8.75%	5,591	3.8	100.0%
1 Richmond Road, Keswick	100%	25.2	9.7%	10.0%	8,135	4.1	100.0%
3 Carlingford Road, Epping	100%	16.5	8.3%	9.50%	4,701	2.7	93.3%
44 Hampden Road, Artarmon	100%	7.3	9.2% ⁴⁵	9.00%	2,339	1.6 ⁴⁶	100.0%
Industrial							
149 Kerry Road, Archerfield	100%	22.2	7.8%	8.00%	13,774	10.1	100.0%
14 Mars Road, Lane cove	100%	18.5	9.6%	9.25%	10,601	7.1	100.0%
13 Ferndell Street, Granville	100%	16.4	8.2%	8.25%	15,302	5.4	100.0%
Grand Total		182.9	8.8%	8.9%	69,836	5.5	99.5%

Note: 44 Hampden Road, Artarmon is a leasehold interest to 2114.

Notes:

(38) As at 23 September 2014.

(39) The Custodian has entered into contracts to acquire the New Properties, being 555 Coronation Drive Brisbane, 149 Kerry Road Archerfield and 13 Ferndell Street Granville.

(40) By area.

(41) Based on gross income.

(42) As at 23 September 2014.

(43) As at 1 December 2014.

(44) Excludes Council of the City of Willoughby lease which expires in June 2090.

(45) For the first full year from Allotment.

(46) Excludes the sublease to Artarmon Masonic Hall which expires in March 2114.

Property Portfolio

3.1 Portfolio overview (continued)

3.1.1 9 Help Street, Chatswood



Description

9 Help Street is a modern, recently refurbished office building located in the core of the Chatswood CBD. It comprises a ground floor entry, eight levels of office accommodation and three levels of basement parking for 142 vehicles. The building recently achieved a 5 Star NABERS Energy rating.

Location

The Property is prominently located in the northern Sydney suburb of Chatswood, approximately 10 kilometres from the Sydney CBD.

It is in close proximity to an array of facilities, including two super-regional shopping centres (Westfield Chatswood and Chatswood Chase) as well as the Mandarin Centre, the Retail/Transport interchange at Chatswood Railway Station, and the recently refurbished Chatswood retail shopping strip on Victoria Avenue.

Asset strategy

Capitalise on the substantial building refurbishment works undertaken in 2010 and a significant reduction in Chatswood's vacancy rate. Proactively manage pending lease expiries to extend the WALE and maximise the net operating income of the property.

Notes:

(47) Excludes Council of the City of Willoughby lease which expires in June 2090.

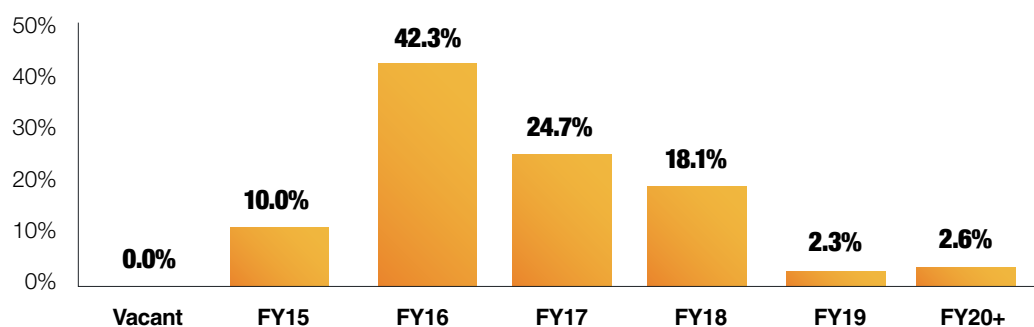
Property information

Property type	Office
Ownership interest	100%
Title	Freehold
Purchase price	\$43.0m
Net operating income	\$3.6m
Initial yield	8.5%
Site area	2,448 sqm
Net lettable area (NLA)	9,394 sqm
Occupancy (by NLA)	100%
WALE (by NLA) ⁴⁷	1.7 years
Building constructed	1991
Latest refurbishment	2010
Car park spaces	142

Independent Valuation

Valuer	Colliers
Valuation date	23 September 2014
Valuation	\$43.0m
Capitalisation rate	8.50%
Terminal Capitalisation rate	8.75%
Discount rate	9.25%

Lease expiry profile (by NLA)



Major Tenant Summary

Tenants	Review type	Net lettable area (NLA)	Expiry	Gross income	% of gross income	Option
CH2M Hill	3.75% fixed	2,910 sqm	March 2016	\$1.5m	33%	1x5 years
Visionstream Australia	3.50% fixed	905 sqm	September 2016	\$0.5m	11%	1x2 years

Major Tenant Description

CH2M Hill

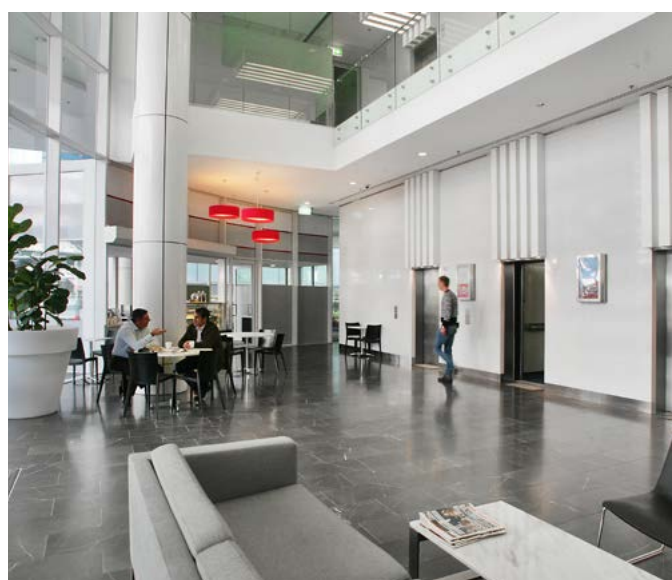
CH2M Hill offers consulting, design, design-build, operations, and program management services. CH2M Hill has approximately 26,000 employees on six continents. CH2M Hill partners with clients in energy, water, environment and infrastructure to design integrated solutions.

For further information please visit: www.ch2m.com

Visionstream

Visionstream provides telecommunications and ICT services across Australia and New Zealand, focused on design, construction, operations and maintenance for carriers, government, channel partners and enterprise industry segments.

For further information please visit: www.visionstream.com.au



Property Portfolio

3.1 Portfolio overview (continued)

3.1.2 1 Richmond Road, Keswick



Description

1 Richmond Road, Keswick is a five level office building located approximately 3.5 kilometres south-west of the Adelaide CBD featuring on-grade parking for 326 vehicles.

Location

The Property is prominently located on one of Adelaide's main arterial roads approximately 3.5 kilometres south-west of Adelaide's CBD and is within proximity to the established office precincts of Greenhill Road and the Adelaide CBD.

Asset Strategy

Continue to maintain the asset so it is fit for use by occupiers and prospective tenants requiring large floor plates, significant parking and good access to metropolitan Adelaide and nearby hospitals. In addition, finalise the subdivision of the 8,590 square metres of surplus land at the rear of the property for future sale or preleased development.

Property information

Property type	Office
Ownership interest	100%
Title	Freehold
Purchase price	\$25.2m
Net operating income	\$2.4m
Initial yield	9.7%
Site area	19,310 sqm
Net lettable area (NLA)	8,135 sqm
Occupancy (by NLA)	100%
WALE (by NLA)	4.1 years
Building constructed	1985
Latest refurbishment	2011 ⁴⁸
Car park spaces	326

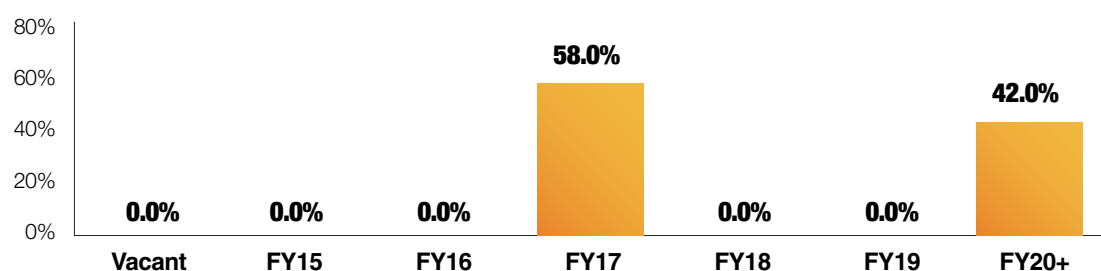
Independent Valuation

Valuer	Jones Lang LaSalle
Valuation date	23 September 2014
Valuation	\$25.2m
Capitalisation rate	10.00%
Terminal Capitalisation rate	10.00%
Discount rate	10.00%

Notes:

(48) Royal District Nursing Service tenancy was substantially upgraded with new carpets, installation of inter-tenancy stairs and some upgrades to the amenities.

Lease expiry profile (by NLA)



Major Tenant Summary

Tenants	Review type	Net lettable area (NLA)	Expiry	Gross income	% of gross income	Option
Minister for Transport & Infrastructure (Department of Environment, Water and Natural Resources)	Bi-Annual Market	4,715 sqm	June 2017	\$1.8m	56%	Nil
Royal District Nursing Service	Fixed 3.50%	3,420 sqm	March 2021	\$1.4m	44%	1x5 years

Major Tenant Description

Government of South Australia Department of Environment, Water and Natural Resources

The Department of Environment, Water and Natural Resources (DEWNR), consolidates environmental and natural resource management in South Australia. DEWNR works with Government, industry and communities to achieve outcomes for issues including water security, climate change, sustainable land management, public estate management and biodiversity conservation.

For further information please visit: www.environment.sa.gov.au

Royal District Nursing Service of South Australia

In September 2011, Silver Chain in Western Australia and RDNS in South Australia, two likeminded and not for profit organisations merged to become one of the largest in-home health and care providers in Australia. With 3,000 staff and 400 volunteers, the group assists over 74,000 people to remain living in their homes and communities every year.

For further information please visit: www.silverchain.org.au/sa/



Property Portfolio

3.1 Portfolio overview (continued)

3.1.3 14 Mars Road, Lane Cove



Description

14 Mars Road is a two level office/warehouse building with extensive rooftop and undercover parking. The property originally comprised five attached units, which have since been reconfigured into a single tenancy. Cochlear has occupied the premises since July 1987.

Location

The Property is located on the southern side of Mars Road within the Lane Cove Industrial Precinct approximately 12 kilometres north west of the Sydney CBD. The precinct is also in close proximity to other office/industrial areas, including Artarmon, St Leonards and North Ryde. The immediate surrounding development is of a similar nature and incorporates large modern industrial premises, smaller strata unit complexes and hi-tech industrial estates.

Asset Strategy

Maintain the asset in a condition for use by Cochlear (seven year lease remaining), whilst lobbying the relevant authorities to consider a rezoning of the property for residential use.

Notes:

(49) The major refurbishment in 2004 included work completed on the façade, construction of a new reception/foyer and atrium and installation of a lift. Upgrades were also completed in 2010.

Property information

Property type	Industrial
Ownership interest	100%
Title	Freehold
Purchase price	\$18.5m
Net operating income	\$1.8m
Initial yield	9.6%
Site area	9,883 sqm
Net lettable area (NLA)	10,601 sqm
Occupancy (by NLA)	100%
WALE (by NLA)	7.1 years
Building constructed	Mid 1970's
Latest refurbishment	2004 & 2010 ⁴⁹
Car park spaces	180

Independent Valuation

Valuer	Colliers
Valuation date	23 September 2014
Valuation	\$18.5m
Capitalisation rate	9.25%
Terminal Capitalisation rate	9.50%
Discount rate	9.25%

Lease expiry profile (by NLA)



Major Tenant Summary

Tenants	Review type	Net lettable area (NLA)	Expiry	Gross income	% of gross income	Option
Cochlear Ltd	4.00% fixed	10,601 sqm	December 2021	\$2.1m	100%	Nil

Major Tenant Description

Cochlear

Cochlear is a biotechnology company that designs, manufactures and supplies the Nucleus cochlear implant, the Hybrid electro-acoustic implant and the Baha bone conduction implant. Cochlear was formed in 1981 and commercialised hearing implants.

For further information please visit: www.cochlear.com.au



Property Portfolio

3.1 Portfolio overview (continued)

3.1.4 3 Carlingford Road, Epping



Description

3 Carlingford Road, Epping consists of a five level modern office building constructed in 1986 with basement and on-grade parking for 74 vehicles.

Location

The property enjoys a high profile position, located on the south western corner of Carlingford Road and Rawson Street, with a council car park situated adjacent to the site.

Approximately 800 metres from the M2 Hills Motorway, 3 Carlingford Road has excellent access to and from the Sydney CBD and North Sydney, as well as the western and north western suburbs. The Epping Railway Station is also situated approximately 250 metres from the property which also provides additional access to multiple employment and education destinations throughout the metropolitan Sydney. This will be further enhanced upon completion of the North West Rail Link.

Asset Strategy

Continue to maximise existing income whilst pursuing development approval from the Parramatta City Council for use as residential apartments under the recently approved Epping Town Centre Activation Precinct. Centuria estimates an approval could generate up to 150 apartments thereby adding value to the asset.

Notes:

(50) The foyer area underwent a major refurbishment in 2006.

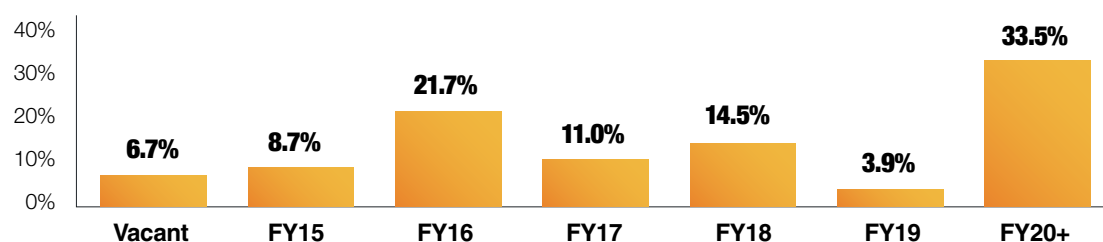
Property information

Property type	Office
Ownership interest	100%
Title	Freehold
Purchase price	\$16.5m
Net operating income	\$1.4m
Initial yield	8.3%
Site area	2,229 sqm
Net lettable area (NLA)	4,701 sqm
Occupancy (by NLA)	93.3%
WALE (by NLA)	2.7 years
Building constructed	1986
Latest refurbishment	Periodic ⁵⁰
Car park spaces	74

Independent Valuation

Valuer	Knight Frank
Valuation date	23 September 2014
Valuation	\$16.5m
Capitalisation rate	9.50%
Terminal Capitalisation rate	9.75%
Discount rate	9.75%

Lease expiry profile (by NLA)



Major Tenant Summary

Tenants	Review type	Net lettable area (NLA)	Expiry	Gross income	% of gross income	Option
Baptist Union of NSW	3.50% fixed	955 sqm	November 2019	\$0.4m	20%	1x2 year
Castletons Accounting	CPI	323 sqm	May 2017	\$0.2m	8%	Nil

Major Tenant Description

Australian Baptist Union of Australia

The Australian Baptist Union of Australia is an evangelical movement of churches, State Baptist Unions and national ministries across Australia. There is a Baptist Union in each Australian State and the Northern Territory. Australian Baptists serve communities in metropolitan, regional, coastal, rural and remote Australia through a network of almost 1,000 churches.

For further information please visit: www.baptist.org.au

Castletons Chartered Accountants

Castletons is a firm of Chartered Accountants comprising of approximately fourteen staff with national and international affiliations. Castletons offers client services including taxation and account, business service, audit services and superannuation services.

For further information please visit: www.castletons.com.au



Property Portfolio

3.1 Portfolio overview (continued)

3.1.5 44 Hampden Road, Artarmon



Description

The Property comprises a four storey office building incorporating four ground floor retail tenancies, three upper levels of office accommodation and four split levels of secure parking for 55 vehicles along with 11 unsecured external spaces to the rear of the building.

Location

Artarmon is located approximately 9 kilometres north of the Sydney CBD between the suburbs of St Leonards and Chatswood. The property is on the western side of Hampden Road at its junction with Jersey Road in the heart of Artarmon. The Artarmon Railway Station is located directly opposite the Property.

The major centres of North Sydney and Chatswood are situated approximately 4 kilometres to the south and one kilometre to the north respectively.

Asset Strategy

Maintain the asset's pre-eminent position in Artarmon Village's supply of professional office space, thereby maximising income returns. Continue discussions with Artarmon Masonic Hall Company in an endeavour to acquire the asset's freehold in order to facilitate the potential for a future rezoning of the property to allow a mixed use residential development. Refer to Section 13.7 for a summary of the terms of the lease.

Notes:

- (51) The Fund has a leasehold interest from the Artarmon Masonic Hall until 2114. The leasehold interest is valued on the basis of the market value of the property. See the valuation summary for this property in section 8 for more information..
- (52) Net operating income is post the rent payment to the Artarmon Masonic Hall of \$44,000.
- (53) For the first full year from Allotment.
- (54) 44 Hampden Road, Artarmon is a leasehold interest. The WALE excludes the sub lease to the Artarmon Masonic Hall which expires in March 2114.

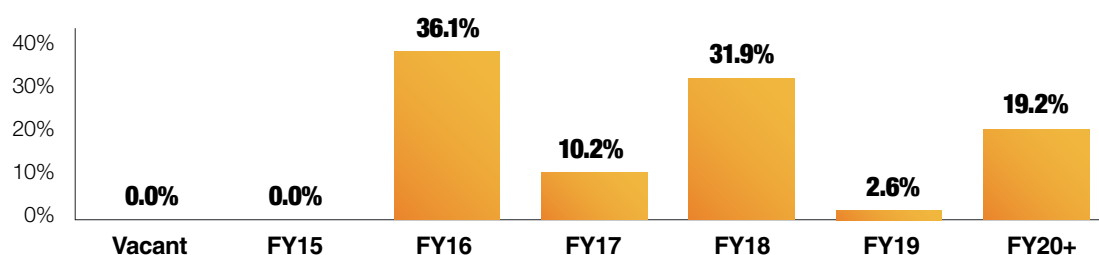
Property information

Property type	Office
Leasehold interest	100%
Title	Leasehold ⁵¹
Purchase price	\$7.3m
Net operating income	\$0.7m ⁵²
Initial yield	9.2% ⁵³
Site area	1,703 sqm
Net lettable area (NLA)	2,339 sqm
Occupancy (by NLA)	100.0%
WALE (by NLA)	1.6 years ⁵⁴
Building constructed	1992
Latest refurbishment	Periodic
Car park spaces	66

Independent Valuation

Valuer	DTZ
Valuation date	23 September 2014
Valuation	\$7.3m
Capitalisation rate	9.00%
Terminal Capitalisation rate	9.25%
Discount rate	9.25%

Lease expiry profile (by NLA)



Major Tenant Summary

Tenants	Review type	Net lettable area (NLA)	Expiry	Gross income	% of gross income	Option
The Leukaemia Foundation	3.75% fixed	404 sqm	September 2015	\$0.2m	23%	Nil
First Five Minutes Pty Ltd	3.00% fixed	351 sqm	May 2018	\$0.2m	16%	1x5 years

Major Tenant Description

The Leukaemia Foundation

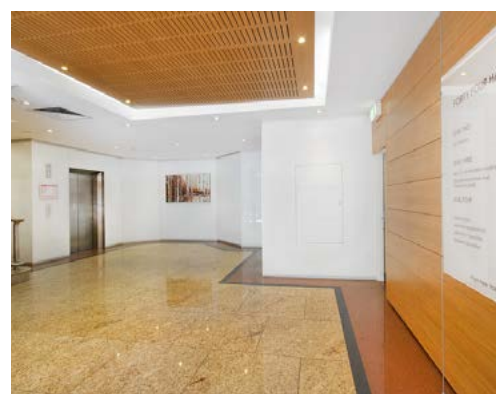
The Leukaemia Foundation is Australia's peak body for blood cancer, providing support services in every state and territory across Australia.

For further information please visit: www.leukaemia.org.au

First Five Minutes

First 5 Minutes provides fire safety and emergency response training and offers services aimed at reducing risk in premises, the risk of personal injury, the risk of property damage and the risk of public liability.

For further information please visit: www.first5minutes.com.au



Property Portfolio

3.1 Portfolio overview (continued)

3.1.6 555 Coronation Drive, Brisbane



Description

555 Coronation Drive is a prominent three storey office building featuring 2.5 levels of basement parking for 175 vehicles. Constructed in 1990 and progressively refurbished over the last four years, the building contains open floor plates of approximately 2,000 sqm with good natural light and river views.

555 Coronation Drive is a new property that will be acquired by the Fund.

Location

The Property is located in the Brisbane suburb of Toowong three kilometres south west of the Brisbane CBD in an established near city precinct well serviced by bus, rail, river ferry and road transport. Toowong houses many national headquarters for engineering, information technology, mining and communications companies. Coronation Drive is a major vehicular carriageway connecting the western suburbs with the Brisbane CBD. Toowong Village shopping Centre and railway station are also located within 200 metres of the property.

Asset Strategy

Maintain the asset in a condition that continues to meet the requirements of its occupiers whilst exploring the opportunities to create additional value via residential conversion in the medium term (5-10 years).

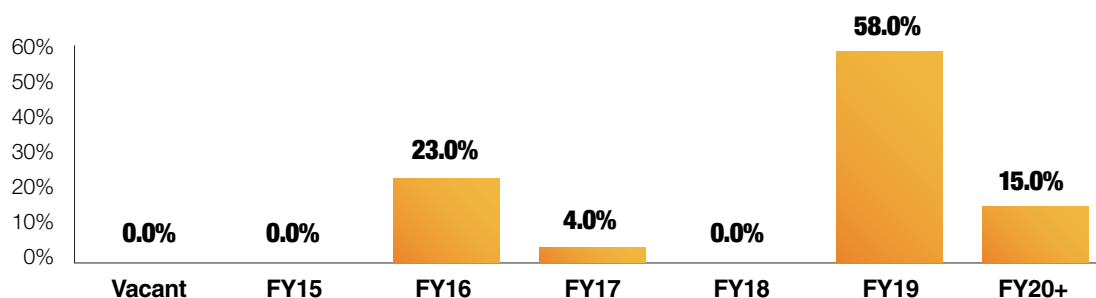
Property information

Property type	Office
Ownership interest	100%
Title	Freehold
Purchase price	\$33.4m
Net operating income	\$3.2m
Initial yield	9.5%
Site area	3,104 sqm
Net lettable area (NLA)	5,591 sqm
Occupancy (by NLA)	100%
WALE (by NLA)	3.8 years
Building constructed	1990
Latest refurbishment	Over the last 4 years
Car park spaces	175

Independent Valuation

Valuer	DTZ
Valuation date	23 September 2014
Valuation	\$33.8m
Capitalisation rate	8.75%
Terminal Capitalisation rate	9.00%
Discount rate	9.75%

Lease expiry profile (by NLA)



Major Tenant Summary

Tenants	Review type	Net lettable area (NLA)	Expiry	Gross income	% of gross income	Option
CSC Australia Pty Ltd	3.75% fixed	2,687 sqm	April 2019	\$1.7m	46%	1x3 years
Evans & Peck Pty Ltd	4.25% fixed	1,113 sqm	April 2016	\$0.9m	24%	Nil

Major Tenant Description

CSC Australia

CSC Australia Pty Limited is a subsidiary of NYSE-listed Computer Science Corporation (NYSE: CSC). CSC is an information technology and professional services provider with a focus on cloud infrastructure, cyber security, big data and mobility. Operates on over 70 countries, with approximately 76,000 employees worldwide.

For further information please visit: www.csc.com/au

Evans & Peck Pty Ltd

Evans & Peck Pty Limited is a subsidiary of ASX-listed Worley Parsons Limited (ASX: WOR). Evans & Peck is an Australian based international consulting company, providing Project and Business Advisory services to the Infrastructure and Resources sectors. It supports governments and private organisations in the conception, development and delivery of major projects and programs throughout the world.

For further information please visit: www.evanspeck.com



Property Portfolio

3.1 Portfolio overview (continued)

3.1.7 149 Kerry Road, Archerfield



Description

149 Kerry Road is a large manufacturing and storage facility with an attached single level office building, several demountable buildings, a workshop and large areas of hardstand and truck manoeuvring areas. The main facility was purpose built for BlueScope Steel (previously John Lysaght Australia) in 1991 and is in good condition.

149 Kerry Road is a new property that will be acquired by the Fund.

Location

The Property is located in the centre of the Archerfield Industrial precinct, approximately 13 kilometres south of the Brisbane CBD. This precinct is at the junction of Ipswich, Beaudesert and Granard Roads all of which are major southside arterial roads. Beaudesert and Ipswich Roads continue south and west respectively to join the Logan Motorway and interstate Mt Lindesay and Cunningham Highways. Kerry Road is the main access point to the Acacia Ridge rail marshalling yards which is the main interchange junction for narrow and standard gauge rail changeover.

Asset Strategy

Maintain the asset in a condition suitable for BlueScope's continued occupation. The term of the lease to BlueScope is of such a length, expiring in 2025 with options to renew for up to a further 25 years, that the property's use after expiry of the lease cannot be reliably predicted.

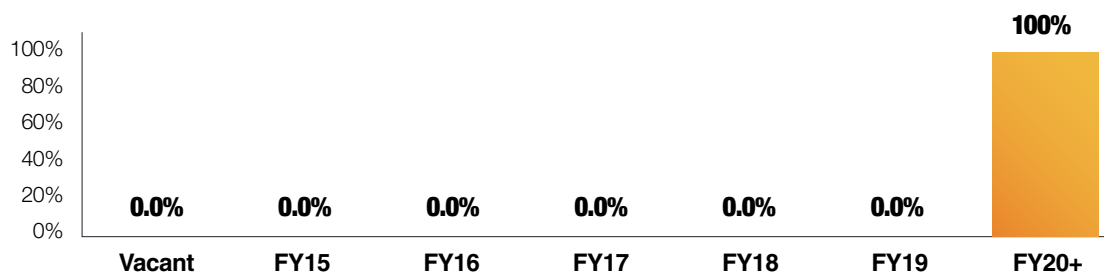
Property information

Property type	Industrial
Ownership interest	100%
Title	Freehold
Purchase price	\$22.2m
Net operating income	\$1.7m
Initial yield	7.8%
Site area	44,340 sqm
Net lettable area (NLA)	13,774 sqm
Occupancy (by NLA)	100%
WALE (by NLA)	10.1
Building constructed	1991
Latest refurbishment	periodic
Car park spaces	multiple parking bays

Independent Valuation

Valuer	DTZ
Valuation date	23 September 2014
Valuation	\$22.2m
Capitalisation rate	8.00%
Terminal Capitalisation rate	8.50%
Discount rate	9.25%

Lease expiry profile (by NLA)



Major Tenant Summary

Tenants	Review type	Net lettable area (NLA)	Expiry	Gross income	% of gross income	Option
BlueScope Steel Ltd	3.50% fixed	13,774 sqm	January 2025	\$1.7m	100%	1x10 years 3x5 years

Major Tenant Description

BlueScope Steel Ltd

BlueScope Steel Limited is the ASX-listed parent company of the BlueScope Group (ASX: BSL). BlueScope Steel was separated from BHP Billiton in 2002, to concentrate on being a supplier of premium metallic coated and painted steel building products. BlueScope has global operations with more than 16,000 employees in over 100 manufacturing facilities across 17 countries.

For further information please visit: www.bluescopesteel.com.au



Property Portfolio

3.1 Portfolio overview (continued)

3.1.8 13 Ferndell Street, Granville



Description

The Property comprises an industrial warehouse with an associated office and amenities building totalling 15,302 sqm of lettable area. The amenities and staff building is attached to the warehouse via an undercover walkway which also connects the offices. The remainder of the land consists of hardstand with parking and drive-around truck access.

13 Ferndell Street Granville is a new property that will be acquired by the Fund.

Location

The Property is located in South Granville which comprises a relatively small industrial pocket with medium to large size industrial properties situated on both sides of Ferndell Street. The location provides B-Double truck access to Woodville Road and the Hume Highway linking the facility with Sydney's greater ring-road system. The surrounding area is predominantly residential.

Asset Strategy

Maintain the asset in a condition fit for BlueScope's continued occupation. Develop a plan of subdivision providing for multiple uses should BlueScope cease to occupy.

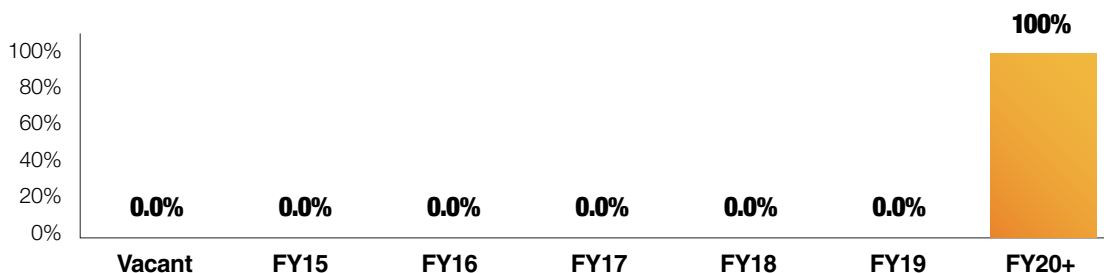
Property information

Property type	Industrial
Ownership interest	100%
Title	Freehold
Purchase price	\$16.1m
Net operating income	\$1.3m
Initial yield	8.2%
Site area	26,740 sqm
Net lettable area (NLA)	15,302 sqm
Occupancy (by NLA)	100%
WALE (by NLA)	5.4 years
Building constructed	1960's
Latest refurbishment	1997
Car park spaces	Multiple parking bays

Independent Valuation

Valuer	DTZ
Valuation date	23 September 2014
Valuation	\$16.4m
Capitalisation rate	8.25%
Terminal Capitalisation rate	8.75%
Discount rate	9.75%

Lease expiry profile (by NLA)



Note that BlueScope Distribution Pty Ltd lease expires April 2020.

Major Tenant Summary

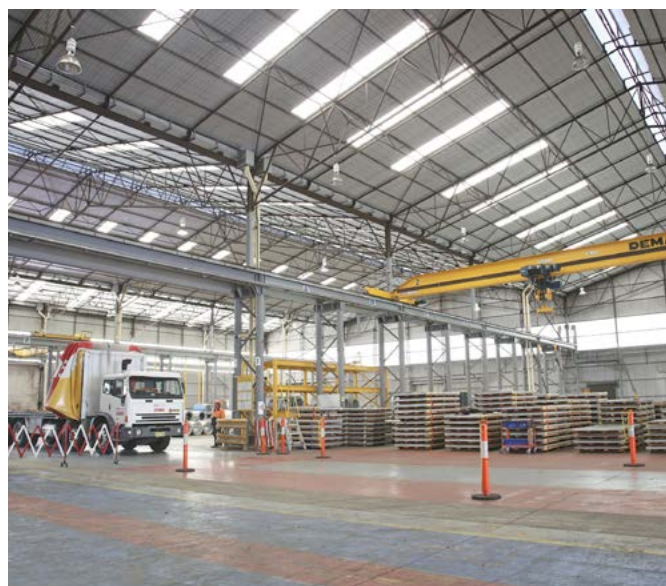
Tenants	Review type	Net lettable area (NLA)	Expiry	Gross income	% of gross income	Option
BlueScope Distribution Pty Ltd	>of CPI or 3.50% fixed	15,302 sqm	April 2020	\$1.6m	100%	2x7 years

Major Tenant Description

BlueScope Distribution Pty Ltd

BlueScope Distribution Pty Limited is a subsidiary of BlueScope Steel Limited, the ASX-listed parent company of the BlueScope Group (ASX: BSL). BlueScope Steel was separated from BHP Billiton in 2002, to concentrate on being a supplier of premium metallic coated and painted steel building products. BlueScope has global operations with more than 16,000 employees in over 100 manufacturing facilities across 17 countries.

For further information please visit: www.bluescopedistribution.com.au



Independent Market Report

October 2014

Independent Market Report

Australian Industrial and Metropolitan Office Markets



Prepared for: Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT



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1 Executive Summary

Office

- The Australian metropolitan office markets look attractive from an investment perspective on a number of key metrics.
- The supply outlook for metropolitan office markets is modest, particularly relative to the major CBDs with just 1.9% of stock under construction compared with 5.2% on average across the CBD markets.
- While vacancy rates remain considerably elevated compared to historical levels, the vacancy rate for both prime and secondary stock is currently lower on average for the metropolitan office markets than for the CBD markets.
- Demand conditions remaining challenging across all office markets, including metropolitan locations. Public administration has been the major contractionary white collar employment sector. The centralisation theme is active at present as a result of attractive lease terms being offered in CBD markets. We expect that as CBD vacancy declines, this trend is likely to reverse.
- Over the long term, white collar employment has grown more strongly in metropolitan locations than in CBD's. This trend is reflected in net absorption figures which show occupied stock has expanded by 31% over ten years to 2014 within metropolitan office markets compared with 22% in CBD markets. This has at least in part been driven by changes in occupier tenancy requirements (for new buildings with high sustainability credentials and large floorplates).
- Strong investor demand is supporting yield compression across most metropolitan office markets, with a diverse range of investors now pursuing non-CBD investment opportunities.
- The spread between the upper end of the yield range (reflecting better quality prime assets) for metropolitan markets compared with CBD markets is wider than its 10-year historical average, suggesting pricing is attractive, including in; Chatswood, St Leonards and Brisbane Fringe.

Industrial

- In the national industrial market, major occupier activity is being driven by tenant consolidation, particularly from tenants in the retail sector. Additionally, e-commerce retailers will contribute to the demand for distribution centre space over the medium to long term.
- The outlook for industrial occupier demand appears solid based on recent activity and near-term projections for key drivers of occupier growth: population growth, retail trade, dwelling investment and import volumes.
- There remains willingness among a small number of major institutional groups with established land banks to undertake developments in most markets. Nevertheless, total supply has remained relatively modest in 2014.
- Demand for industrial property investments has been very strong since 2013. Sales volume has increased year-on-year and in 2013 reached AUD 3.6 billion, with a further AUD 1.6 billion recorded in the first half of 2014.
- Broad-based compression in prime yields has been recorded in recent quarters. The pace of yield compression also appears to be accelerating as a result of growing competition for assets.
- The industrial sector is once again being re-rated by the market – which is justifiable because of its unique characteristics: longer average lease terms, lower management intensity, fixed rental escalations, higher entry yields, transactional liquidity, rising institutional ownership and a high calibre occupier base.

2 Market Fundamentals: key trends and drivers

2.1 Australian Metropolitan Office Markets

2.1.1 Market Size and Quality

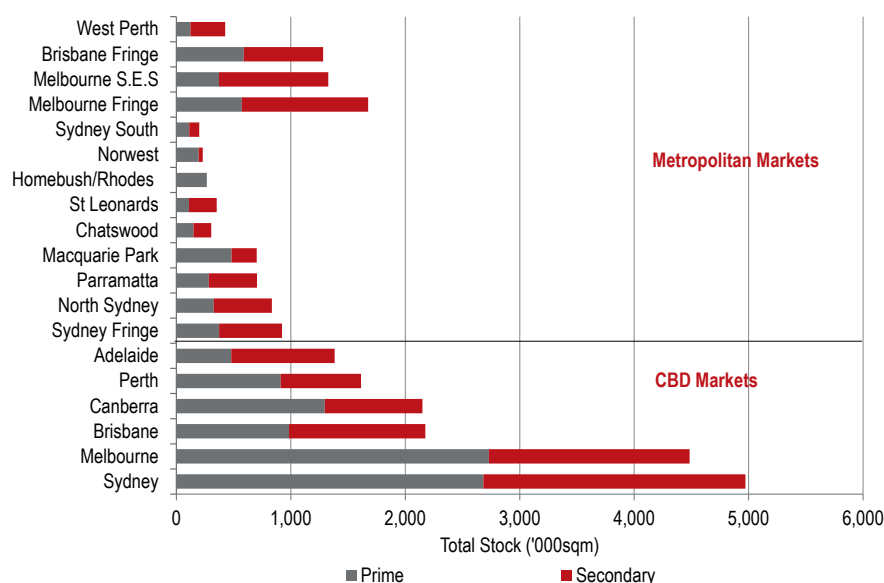
The size of the Australian office market, as monitored by JLL, is 26.0 million sqm in total. This comprises of 16.8 million sqm (or 65%) across the six CBD markets of Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra, and 9.2 million sqm (or 35%) across the 13 major metropolitan office markets.

The metropolitan markets comprise a mix of fringe CBD locations, major suburban CBDs such as Parramatta and Chatswood, inner suburban locations and business parks (see Appendices for definitions).

The breakdown of the national metropolitan office market shows Sydney has the largest share of decentralised office space (4.5 million sqm), followed by Melbourne (3.0 million sqm), Brisbane (1.3 million) and Perth (430,000 sqm).

The quality of the office stock also varies between CBD and metropolitan markets. The CBD office markets have a higher proportion of prime grade stock (54%), while the metropolitan office market has the reverse characteristics with 43% prime and 57% secondary grade. Figure 1 below provides context of the size and grade breakdown of every office market tracked by JLL.

Figure 1: Market Size and Grade Breakdown, Q2/2014



Source: JLL Research

2.1.2 Supply

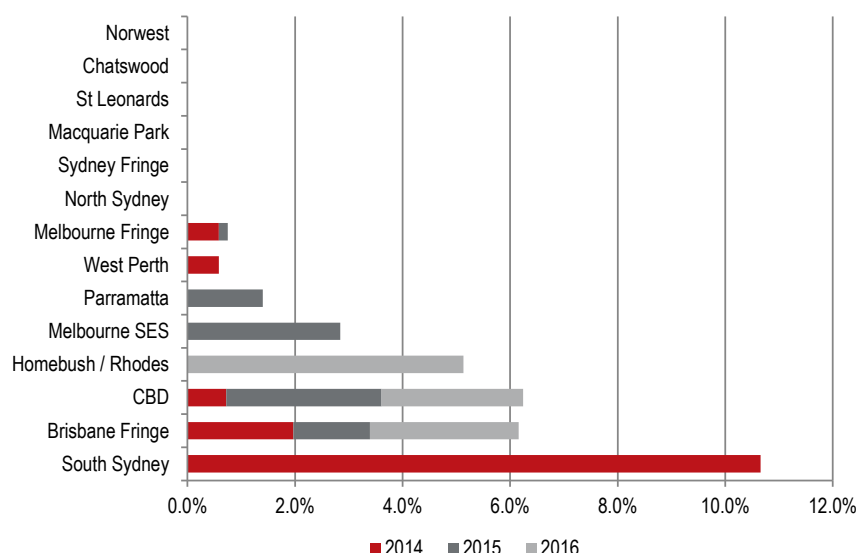
New supply in the 12 months to Q2/2014 totalled 113,300sqm across the 13 metropolitan office markets, equivalent to just 1.3% of total stock. Over 70% of new supply was in three markets – Brisbane Fringe, Macquarie Park and Melbourne S.E.S.

Projects currently under construction in the metropolitan markets as at Q2/2014 totalled 175,974 sqm, equivalent to 1.9% of total stock. This is a relatively low level of construction activity when compared to CBD markets, where 869,200sqm, equivalent to 5.2% of CBD stock, was under construction as at Q2/2014.

The four markets with a relatively high level of construction activity are South Sydney, Homebush / Rhodes, and Brisbane Fringe. Of the 78,900sqm of office space under construction in the Brisbane Fringe market, 70% is pre-committed. The Homebush / Rhodes market is a small market and the one building under

construction is 100% pre-committed to Samsung. Sydney South has a 21,300sqm refurbishment underway which is yet to secure any pre-commitment, while North Sydney has one large project that recently commenced construction (in Q3/2014) at 177 Pacific Highway (39,200sqm).

Figure 2: Projects Under Construction as % of Total Stock, Q2/2014



Source: JLL Research

2.1.3 Demand

The leasing market has been challenging across both metropolitan and CBD markets, with a decline in occupied stock over the 12 months to Q2/2014. The 13 metropolitan markets contracted by 42,800sqm, with the largest contraction being in North Sydney (-18,200sqm) followed by Melbourne Fringe (-16,700sqm). Centralisation and the withdrawal of office stock for conversion to residential were the primary drivers of the contraction in both markets.

The level of contraction, however, has been considerably less than Australia's six CBD markets, which shed -119,900sqm of occupied space in the 12 months to Q2/2014, led by Perth (-82,900sqm) and Brisbane (-57,000sqm).

Figure 3 shows Public Administration has been the key detractor of growth in white collar employment in the 12 months to August 2014, in addition to Administration and Support. On the positive side of the ledger, Professional and Technical Services have recorded headcount growth, with the exception of Victoria. Finance and Insurance has had a negligible impact in either direction.

Office leasing markets are likely to remain challenging while the Australian economy is in the process of transitioning from mining investment to non-mining sector business investment and more broad-based domestic drivers.

The lead indicators are beginning to show some positive signs. The NAB Business Survey (August) showed that confidence remains resilient supported by positive forward orders, subdued cost pressures and more stable consumer confidence. While business conditions eased back in August after the strong reading in July, the trend reading has improved from the cyclical low recorded in April 2013. Furthermore, the ANZ Job Advertisement Series (August) provided a stronger outlook for the labour market. Job advertisements are up 8% over the year to date. However, while the recent trend in job advertisements is positive, total job advertisements are 12.3% lower than August 2012.

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Figure 3: White Collar Job Gains/Losses (full and part-time), Year to August 2014



Source: ABS, JLL Research

2.1.4 Vacancy

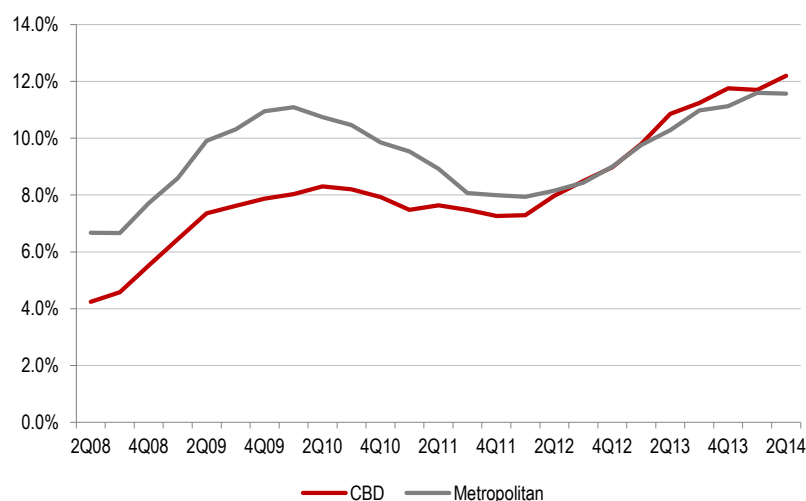
Since converging in Q2/2012, the average vacancy rate for the CBD and metropolitan office market have both trended upwards (Figure 4). The vacancy rate for metropolitan markets was 11.7% as at Q2/2014 and 12.2% for CBD markets. Parramatta currently has the lowest overall vacancy rate of 6.4% and has just 0.2% vacancy in its prime grade office stock, compared with the 10-year long term average (for prime grade stock) of 4.2%.

A higher proportion of vacancy is concentrated in secondary grade stock. As at June 2014, the average prime grade vacancy rate in metropolitan markets was 10.4% compared to 11.2% for CBD markets.

The divergence between prime and secondary vacancy rates highlights the flight to quality tenants have undertaken over the past 24 months. Both metropolitan and CBD markets typically have higher vacancy rates in secondary stock. Only four of the 13 metropolitan markets (Sydney Fringe, Chatswood, St Leonards, and Norwest) have higher prime-grade vacancy than secondary-grade vacancy.

Market	Total Vacancy Rate Q2/2014
Sydney Fringe	10.4%
North Sydney	10.6%
Chatswood	10.2%
St Leonards	14.9%
Macquarie Park	12.3%
Homebush/Rhodes	11.7%
Norwest	12.7%
Sydney South	20.9%
Parramatta	6.4%
Melbourne Fringe	12.1%
Melbourne S.E.S	10.5%
Brisbane Fringe	14.2%
Adelaide Fringe^	9.9%
West Perth	12.8%
CBD Average	12.2%

Source: JLL Research, ^PCA

Figure 4: Total Vacancy Rate CBD and Metropolitan Office, Q2/2014

Source: JLL Research

2.1.5 Rents

Low to moderate face rental growth although incentives have risen

Low to moderate growth in prime gross face rents was reported over the 12 months to Q2/2014. The exceptions were the resource-dependent markets of West Perth (-5.5%) and Brisbane Fringe (-1.3%), which both recorded a correction in face rents over the 2013/14 financial year. Incentives, however, have increased to average 26.4% across the metropolitan markets, which have seen many metropolitan markets record a decline in gross effective rents. Incentives are in line with the average levels across CBD markets (26.6%).

Prime gross effective rents across all CBD markets and the majority of metropolitan markets declined over the 12 months to Q2/2014. Most metropolitan markets recorded corrections in gross effective rents of less than 4%; again the exceptions were: West Perth (-14.5%) and Brisbane Fringe (-10.1%).

2.1.6 Transaction Activity

Stronger investment volumes across metropolitan markets evident since late 2013

While metropolitan office markets were less liquid than CBD office markets over the four years up to 2013, activity increased in 2013 and 2014. Volumes were supported by a number of large transactions (> AUD 100 million), which resulted in transaction volumes reaching a record high in 2013.

Transaction volumes in metropolitan office markets increased by 30% to AUD 3.24 billion in 2013, surpassing the previous record of AUD 2.49 billion in 2012 and 2.46 billion recorded in 2007. Furthermore, the first six months of 2014 have seen AUD 2.4 billion transact, suggesting 2014 may surpass the level of 2013. This increase in volumes points to increased liquidity across metropolitan markets.

2.1.7 Yields

Average prime yields for the CBD and non-CBD office markets have followed a similar trend, and compressed over the past two years (Figure 5).

Most metropolitan markets have experienced modest yield compression for prime grade assets over the 12 months to Q2/2014, the main exception being West Perth, where yields softened in Q4/2013 to now range from 8.50%-8.75%.

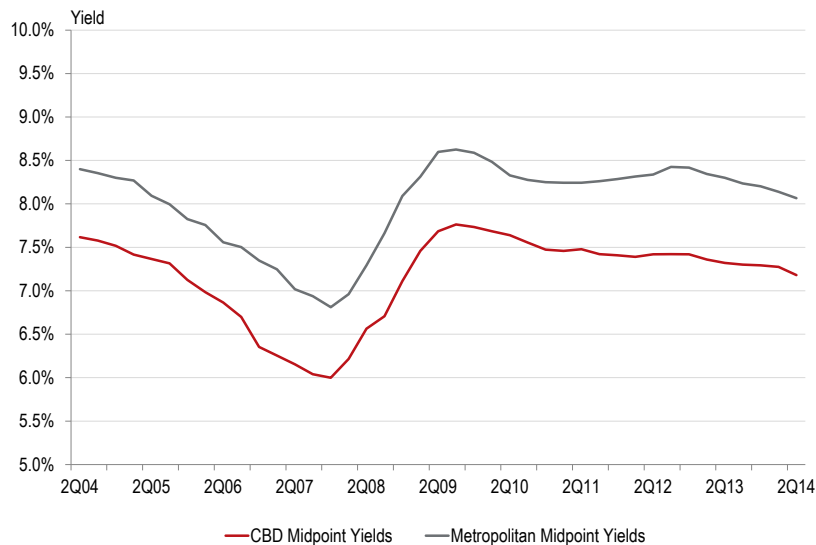
One important measure of relative valuation is the spread between metropolitan office yields compared to CBD markets. The spread between the average mid-point prime yield for metropolitan markets* of 8.04% and CBD assets of 7.19% was 84 basis points as at Q2/2014. This spread peaked at approximately 100 basis points in Q4/2012 but has gradually narrowed to now be in line with the 10-year average of 82 basis

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points. The narrowing reflects greater level of yield compression in the metropolitan markets, relative to the CBD.

These trends vary between the different ends of the yield range and this theme is analysed in further detail in Section 3.

Figure 5: Prime Mid-point Office Yields, Q2/2014



Source: JLL Research

*Metropolitan markets comprise: Brisbane Fringe, Chatswood, Macquarie Park, Melbourne Fringe, Melbourne SES, North Sydney, Parramatta and St Leonards.

2.2 Australian Industrial Markets

The physical market fundamentals remain steady. Demand has slowed somewhat in the first half of 2014 but the outlook is reasonably positive. Supply remains moderate on a national level, although some imbalances have emerged in certain individual markets. Rents for existing prime stock are stable in most markets although incentives have risen slightly in the first half of 2014.

In contrast, the investment market continues to strengthen with a portfolio tilt towards the industrial sector driving strong investor demand. Yields have compressed substantially throughout the year and the tightening has now spread from the prime grade market to the secondary grade market.

2.2.1 Supply

The industrial development sector at present is dominated by a small number of institutional groups with established land banks. A number of larger private developers and boutique groups are also competing for development opportunities.

One of the most notable impacts of the Global Financial Crisis (GFC) has been the rapid reduction in industrial construction activity. Since 2008, new supply has been below the 10-year annual average (of 1.6 million sqm); and new supply in 2013 (1.2 million sqm) was approximately 50% below the peaks of 2007 and 2008. JLL sees this as a return to more 'normal' market conditions. A return to the activity levels of 2007-08 is unlikely due to the confluence of factors that drove that activity prior to the GFC.

Despite a sharp reduction in volume, the development market is very active at present. Approximately 718,700 sqm have been completed in the first half of 2014, with a total of 1.7 million sqm expected for the full calendar year.

Further ahead, there is an additional 1.4 million sqm in the pipeline scheduled to complete in 2015, either already under construction or with plans approved or submitted for development. While there has been a higher level of speculative construction undertaken by developers in recent years, the majority of major projects have been pre-committed prior to beginning construction. This is expected to remain the case in 2015, with most projects in the planning stages not expected to start without a pre-lease.

2.2.2 Demand

While industrial take-up has been healthy in recent years, activity has slowed in the first half of 2014. Tenant demand remains patchy as businesses adopt a more cautious outlook in the face of domestic headwinds.

Gross take-up of 735,100 sqm was recorded in the first half of 2014. With take-up averaging 2.03 million sqm per annum in the 10 years to 2013, 2014 (year-to-June) is running at around 36% of the 10-year annual average.

Activity in the Transport and Storage sector was reasonably healthy in H1/2014, but weaker in the other three major occupier industry groups; Manufacturing, Retail Trade and Wholesale Trade.

By market, Sydney, Brisbane and Perth have been the laggards in 2014 with gross take-up well below their long-run averages.

For the year-to-June, take-up in Sydney is running at just 34% of the 10-year annual average reflecting a more subdued leasing environment compared with 2013.

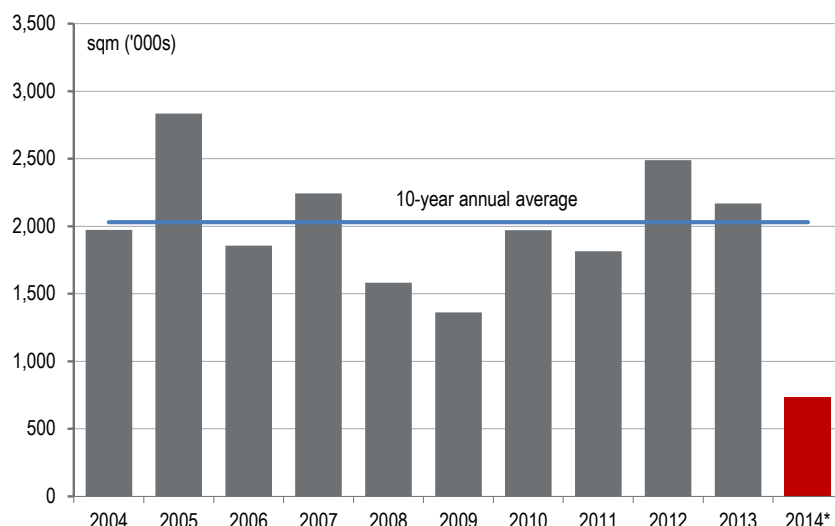
In Melbourne, take-up activity increased strongly in Q2/2014 with 248,300 sqm recorded, this activity equating to 43% of the 10-year annual average in one quarter (583,600 sqm per annum average).

Brisbane is notable for the increase in take-up recorded in Q2/2014 of 109,400 sqm after only 11,600 sqm was recorded in the first quarter of the year. However, take-up in Brisbane is still only running at 26% of the 10-year annual average (465,600 sqm per annum).

After a very strong year in 2013, Perth has had an extremely weak period of occupier activity in the first half of 2014. Only one deal above the major 3,000 sqm threshold has been recorded in the first half.

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Figure 6: National Industrial Take-up, Q2/2014



Source: JLL Research

*As at Q2/2014

The outlook for industrial occupier demand appears solid based on recent activity and near-term projections for key drivers of occupier growth: population growth, retail trade, dwelling investment and import volumes.

International merchandise imports (goods) have increased 9.6% year-on-year to June 2014 and the short-term trend is rising strongly (following slower growth for much of 2012 and 2013). This augurs well for growth in industrial sector demand, given we have previously demonstrated that there has historically been a strong relationship between shipping port container trade growth and industrial sector take-up.

Goods imports (in Balance of Payments terms) are forecast by Deloitte Access Economics to grow 5.0% in 2014 and 5.8% p.a. in the five years to 2019, suggesting goods imports will continue to be a key driver of warehouse and logistics space demand.

2.2.3 Rents

Average prime rental growth for existing buildings has slowed since 2010 on a national year-on-year basis, and has turned marginally negative between Q4/2013 and Q2/2014.

Prime rents have been stable in most markets for the past few quarters. This is primarily a result of speculative construction and a competitive pre-lease environment reducing rental tension in existing stock in precincts without restrictive constraints on supply, such as South Sydney.

On a year-on-year basis, prime rents for existing stock were mostly flat. South Sydney recorded some modest growth over the 12 months to Q2/2014 (+1.2%) while Brisbane Southern precinct recorded a reasonably significant correction (-3.6%).

2.2.4 Investment Activity

Industrial transaction volumes have increased each calendar year since bottoming out in 2008. In 2013, the value of major transactions recorded was AUD 3.6 billion and the investment market has continued to be highly active in 2014. AUD 1.7 billion worth of transactions were recorded nationally in the first half of 2014.

While the levels of transaction volumes in H1/2014 are running at around the same pace as 2013 (currently 45% of the 2013 annual total), pent-up investor demand has continued to increase, which is driving yield compression across the market.

A-REITs have been the major driver of acquisitions, followed by unlisted funds, private investors and developers. It is notable that the level of acquisitions by private investors has been slowing from previous years and this investor group has been a net seller of industrial assets since 2012.

2.2.5 Yields

Broad-based compression in prime yields has been recorded in recent quarters. The pace of yield compression also appears to be accelerating as a result of growing competition for assets.

The national weighted average yield for the forecast markets* decreased by 3 basis points to 7.81% in Q2/2014. This was a result of a 12.5 basis point tightening in the midpoint of the yield range in the Brisbane Southern precinct.

Through the current cycle, average prime industrial yields for forecast markets have compressed by 82 basis points since Q3/2009. This rate of compression has occurred relatively gradually and steadily over this time.

*Forecast industrial markets include: Sydney Outer Central West, South Sydney, Melbourne West, Melbourne South-East, Brisbane Southern, Adelaide North West and Perth East.

3 Major Themes and Strategic Considerations

3.1 Office

3.1.1 Market Size is Significant

Metropolitan markets account for 35% of total stock by floor area and an estimated 25% of stock by asset value. It is therefore a significant component of the Australian office market investment universe.

As with most CBD markets, the metropolitan markets have experienced modest growth in stock levels over the past five years. However, there is more long-term potential for stock growth in non-CBD office markets than the CBD markets. The metropolitan markets are less constrained by geographic boundaries, and business park locations such as Norwest are less likely to be impacted by competing residential and hotel land uses.

JLL also expects new metropolitan markets will emerge. Homebush / Rhodes and Norwest are recent examples of new office markets that have emerged over the past 10 years. Government policy to support greater access to employment opportunities in suburban locations will also drive growth in metropolitan markets.

3.1.2 Occupier drivers and flows between markets

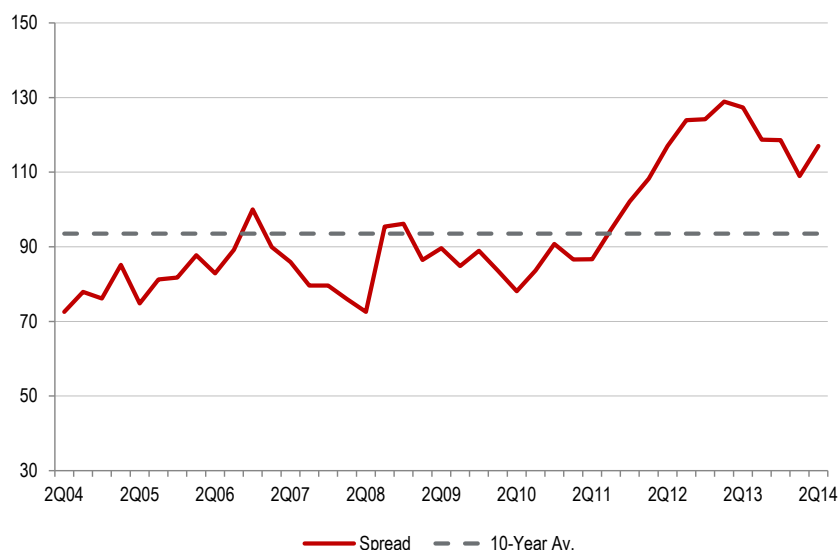
Centralisation and decentralisation occurs cyclically. When the CBD office market vacancy moves below equilibrium it stimulates above trend rental growth. The affordability of suburban office markets precipitates a decentralisation trend.

The greatest differential between metropolitan and CBD market rents occurs in Sydney. Prime gross effective rents in Sydney metropolitan markets range from an average 39.2% of Sydney CBD rents in Norwest Business Park to 60.1% of CBD rents in St Leonards, with other metropolitan markets in between these levels. The North Sydney market is closer to Sydney CBD rents with prime gross effective rents averaging 79.8% of Sydney CBD rents.

There are also structural changes working in favour of growth in metropolitan office market demand. Over the long term, white collar employment has grown more strongly in metropolitan locations compared with CBD's. This trend is reflected in net absorption figures which show occupied stock has expanded by 31% over ten years to 2014 within metropolitan office markets compared with just 22% in CBD markets. This has at least in part been driven by changes in occupier tenancy requirements. For example, in the last ten years there has been growing demand for buildings with large and efficient floorplates which led to the development of campus-style office buildings within major business park precincts such as Macquarie Park. One of the other drivers has been the decentralisation of back office functions by major businesses. One example of this is Commonwealth Bank of Australia, which has two major CBD office premises in Sydney and two major metropolitan office locations, in Parramatta and Homebush.

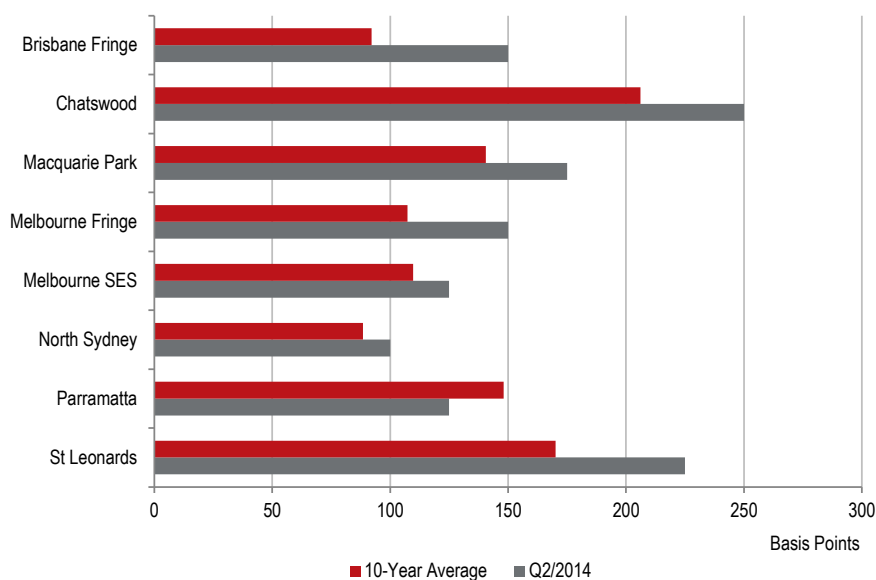
3.1.3 Upper yield spread between prime metropolitan assets and CBD assets is high

While the average prime yield spread between the CBD and metropolitan markets has narrowed to its long-run average, the tighter end (or "upper-end") of the range (i.e. focussing on the better quality prime assets) shows a different trend. The spread currently sits at 117 basis points, considerably wider than its long-run 10-year average of 94 basis points, suggesting that current pricing is attractive (Figure 7).

Figure 7: Upper Yield Spread – CBD to Metropolitan Markets*

Source: JLL Research

*Metropolitan markets included in analysis comprise: Brisbane Fringe, Chatswood, Macquarie Park, Melbourne Fringe, Melbourne SES, North Sydney, Parramatta and St Leonards. Note the spread is weight by total stock by market.

Figure 8: Upper Yield Spread – CBD to Metropolitan – By Market, Q2/2014

Source: JLL Research

3.1.4 Offshore investors driving investment demand

Demand for metropolitan office assets has improved substantially in the past two years as many institutional investors removed their narrow scope from CBD prime grade assets to a wider variety of opportunities. There have also been new investor groups targeting non-CBD assets for the higher yields available.

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This has been reflected in the increase in transaction volumes in metropolitan office markets, which rose from between AUD 1.0 billion and AUD 1.5 billion in 2008 to 2011, to AUD 2.5 billion in 2012 and AUD 3.2 billion in 2013. A further AUD 2.2 billion has already been recorded in the first half of 2014, demonstrating a growing momentum of transaction activity.

Offshore investors have been a major driver of this increase in activity since the start of 2012. They accounted for the largest share of transactions over this period (Q1/2012 to Q2/2014) by a wide margin, representing 38% of all purchases. A-REITs (13%) accounted for the second largest share followed by Developers and Property Companies (12%), Private Investors (11%), Unlisted Funds (9%) and Syndicates (7%).

The investor base for metropolitan office markets is diverse. A number of offshore investors have shown a willingness to deploy significant amounts of capital in metropolitan office markets. However, offshore capital has largely concentrated on modern product with strong covenants, long WALEs and high sustainability credentials. Major recent transactions include:

- Suntec REIT's first direct acquisition in Australia - the purchase of 177 Pacific Highway, North Sydney for AUD 413.19 million (currently under construction);
- Union Investment Real Estate acquiring South Point (Building B), a project currently under construction in South Brisbane, for AUD 200.615 million;
- AIMS AMP Capital Industrial REIT (AA REIT) acquiring a 49% share in the Optus Centre in Macquarie Park for AUD 184.425 million;
- AXA Real Estate acquiring the Australia Post Head Office in the Sydney Fringe for AUD 168.0 million; and
- Brompton Asset Management increasing its exposure to Australia, acquiring the Sydney Water building at 1 Smith Street, Parramatta for AUD 166.0 million.

HNW investors, particularly from Asia, are competing on the global stage for prime real estate assets. Asian HNW capital makes up one third of all outbound capital into direct real estate. In Australia, Sydney and Melbourne are the major destinations for capital from HNW investors. A variety of factors including; high yields relative to other mature markets, a high level of transparency, attractive lease terms and long-term leases, are expected to continue to see capital flowing into Australia from offshore sources, including HNW investors.

The increase in investor demand from a variety of different capital sources and higher transaction volumes should lead to further re-pricing of assets. Some compression in yields has already been recorded in 2013 and early 2014, but the prime (upper-end) metropolitan yield spread to CBD as shown in Figure 7 still remains wide compared with historical levels suggesting further scope for compression on this relative basis.

3.2 Industrial

- **Tenant consolidation and organic growth:** the key driver of major occupier activity at present is the desire to consolidate the operation of multiple facilities or due to organic growth. This is particularly the case as the retail sector continues to go through a phase of outsourcing to 3PLs. JLL expect to see more 3PLs looking to secure space in strategic locations on longer lease terms to run multiple contracts.
- **Major retail groups expanding:** Indications are that major retail and grocery businesses are going through a period of improvements to their warehouse distribution centre operations in major cities. We expect to see commitments from Coles, Woolworths, Aldi, Kmart and others in the next few years. Many of these groups went through similar programs in the early 2000s and have simply outgrown their existing facilities, are looking to consolidate multiple facilities, are constrained by the functionality of their existing facilities, or are looking to take advantage of new transport infrastructure and the existing competitive development environment.

JLL expects to see more facilities that have significantly higher clearance requirements and use expensive automation and robotics that require a significant capital spending program from the

occupier and potentially the owner / developer. This will have some impact on valuation metrics and the investment market.

- **Lease characteristics:** Incentives have become more prevalent in recent years in the industrial sector for new lease negotiations. Incentives have primarily been offered as rent free periods and are more elevated for speculatively constructed space, some pre-lease deals and leasing large secondary grade warehousing facilities. This may impact some owner types, such as privates or syndicates, as cash flow is constrained.
- **E-commerce:** Pure play online retail operators will continue to grow through generating greater market awareness and offering expanded product lines. This means many operators will continue to expand their distribution centre needs frequently, with ongoing consolidation of smaller players a necessity.

Third party indicators show that online retail spending growth has slowed and may have reached a semi-permanent plateau. We are looking for online retailers to create more customer interface through opening bricks and mortar stores, showrooms or using their warehouse space for customer direct sales.

Some higher end product retailers, such as organic cosmetics or other niche products, are looking to sell into offshore markets. This will create the need for alternative real estate strategies.

Lastly, we continue to expect major rationalisation in the retail sector in Australia in which mature retailers (particularly department stores and discount department stores) look closely at their existing store footprints and distribution methods and seek a greater share of sales through direct delivery and online sales.

4 Market Overviews

4.1 Sydney Industrial

Demand

There are various themes at play across the different Sydney industrial precincts. Occupier demand in the Outer Central West has been supported by major corporates and retailers, particularly rapidly growing 3PL operators, seeking to consolidate their operations since 2010. Whilst some corporates have pre-leased new facilities, many groups have been looking to functional existing facilities in core locations to fulfil their growth needs. This has kept backfill vacancy low.

The South Sydney market continues to be centred on residential conversion opportunities. Displaced industrial tenants (from residential conversions) are keeping vacancies low and supporting industrial rents.

The Port Botany Expansion will result in a significant increase in capacity for container handling that could benefit all of Sydney's industrial precincts. The Enfield Intermodal Logistics Centre and proposed Moorebank Intermodal Terminal could attract occupiers and investors into the Inner West and South West Sydney industrial markets.

Fundamentals for the Sydney industrial market are broadly stable although leasing demand is patchy in certain sectors. Gross take-up has slowed somewhat in 2014 with 226,000 sqm recorded in the first half, representing just 36% of the 10-year annual average, and 21% lower than the same period in 2013. Occupier activity in Sydney will continue to be supported over the next few years by the aggressive rezoning activity being undertaken by State and Local governments in areas that were previously zoned for industrial use. Examples of this include Mascot, North Ryde, Homebush, Castle Hill and Epping. As a result, industrial tenants in now redundant buildings will be forced to move within the market, ultimately creating demand for new and vacant stock.

Supply

Supply of industrial space was just 421,000 sqm in 2013, well below the 10-year average (563,000 sqm), and completions are likely to remain below this long-run average, at least in 2014 and 2015. There continues to be a willingness among a number of institutional developers to undertake projects, although the issue of securing tenants is likely to push many projects at least into 2015.

Asset Performance

Average rents are expected to remain flat over the next 12 months, with exception of South Sydney which is forecast to show marginal rental uplift over the course of the year.

Investor appetite for large, modern facilities with strong covenants is very strong at present. A lack of prime grade assets for sale has seen investors widen their parameters to include good quality secondary stock.

Sydney Industrial: Key Indicators

Indicator	As at Jun-14	12-Month Outlook
Supply Additions (sqm – Last 12 mths)	534,300	↘
Gross Take-up (sqm – Last 12 mths)	569,100	↗
Prime Net Rent (\$ / sqm) Outer Central West	113	→
Secondary Net Rent (\$ / sqm) Outer Central West	94	→
Prime Yield Range Outer Central West	7.25-8.00%	↘
Secondary Yield Range Outer Central West	8.50-10.00%	↘
Transaction Volume AUD million (Last 12 mths)	2,019	→

Source: JLL Research

4.2 Brisbane Industrial

Demand

Demand has been reasonably healthy over the past few years in the Brisbane market, with take-up running close to or above the 10-year long term average.

Similar to the national trend, take-up has been driven by the transport and storage sector, followed by retail trade and manufacturing.

Activity has been concentrated in the Southern precinct, which accounted for 60% of take-up in 2013, followed by the Northern precinct (28%) and the Trade Coast (12%).

While the largest share of take-up occurs in the Southern precinct, some of the most recent major leasing transactions have occurred in the Northern precinct (Super Cheap Auto 46,900 sqm in Q2/2013 and Mazda 29,000 sqm in Q4/2013) and the Trade Coast (Silk Logistics 20,000 sqm in Q2/2014).

Brisbane Industrial: Key Indicators

Indicator	As at Jun-14	12-Month Outlook
Supply Additions (sqm – Last 12 mths)	308	➡
Gross Take-up (sqm – Last 12 mths)	318	➡
Prime Net Rent (\$ / sqm) Southern	113	➡
Secondary Net Rent (\$ / sqm) Southern	87	➡
Prime Yield Range Southern	7.25-8.00%	➡
Secondary Yield Range Southern	8.50-10.00%	➡
Transaction Volume AUD million (Last 12 mths)	514	➡

Source: JLL Research

Supply

The supply of industrial space has been relatively muted since 2011 after falling sharply in 2009 and 2010. There has been a rebound in supply in 2014 with 168,000 sqm having completed in the first half and a further 307,800 sqm under construction and due to complete in the second half bringing the annual total to 487,100 sqm. This represents a 40% increase over the 10-year average. Over 150,000 sqm of this supply reflects pre-leases signed between 2011 and 2013, with a further 40,000 sqm reflecting design and construct agreements from prior years. While the projects already completed in 2014 were mostly pre-absorbed (83%), the projects under construction scheduled for the second half have a high speculative component (just 55% pre-absorbed).

The pipeline for 2015 is also reasonably solid with 328,100 sqm either under construction or with plans approved or submitted for development.

Asset Performance

The combination of lower gross take-up and reasonably strong supply in the first half of 2014 has exerted downward pressure on average rents in this market. Prime rents for existing stock were stable in Q2/2014 but fell by 3.6% over 12 months. Average incentives for prime grade stock have also increased by a modest amount.

Prime rents grew by a reasonably positive pace in the Southern precinct for the three years to Q1/2013 at approximately 2.7% p.a., then plateaued before contracting in Q4/2013 and Q1/2014.

Transaction activity has been robust in Brisbane with 2014 volumes year-to-date (Q2/2014) running at approximately the same level as previous years.

Prime yields for the Southern precinct firmed in Q2/2014 after having been stable since Q3/2012. The average prime yield tightened to 7.63% with a range of 7.25%-8.00% from 7.50%-8.00% in the prior quarter, reflecting the solid investor interest for prime-grade assets with strong lease covenants.

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4.3 Brisbane Fringe Office

Overview

The geographic constraints of the Brisbane CBD together with relative high accommodation costs have provided strong demand for inner suburbs such as Milton, Fortitude Valley, Toowong, South Brisbane and Spring Hill.

Occupiers are attracted to quality amenity, which appeals to a 'younger' tenant.

Various occupiers have moved to this near city market based on the competitive rental offering compared to the Brisbane CBD, including engineering and creative industry businesses.

Examples of tenant moves over 10,000sqm over the last 10 years include; Virgin Blue, Sinclair Knight Merz, Department of Health, Origin Energy, Ausenco, AECOM, Leighton Contractors, Energen and Australian Broadcasting Corporation.

Critical mass will help the marketing of the precinct.

The Bus and Train Project (BAT) will benefit the Brisbane Fringe market while the Kurilpa Riverfront Renewal will create further opportunities in South Brisbane.

Brisbane Fringe: Key Indicators		
Brisbane Fringe	As at Jun-14	12-Month Outlook
Total Stock (million sqm)	1.28	↗
Supply Additions (sqm - Last 12 mths)	20,600	↗
Net Absorption (sqm - Last 12 mths)	-12,000	↗
Prime Vacancy (%)	12.8	↗
Total Vacancy (%)	14.2	↗
Prime Gross Face Rents (\$ per sqm)	506	➡
Prime Gross Effective Rents (\$ per sqm)	304	↘
Incentives (%)	31	↗
Prime Yield Range	7.75-8.75%	↘

Source: JLL Research

Demand, Supply and Vacancy

Demand for office space has been subdued over the last 18-24 months, but appears to be moving toward recovery, highlighted by positive net absorption of 7,900sqm in Q2/2014.

With strong new supply coming on to the market since late 2012 and subdued demand, the prime vacancy rate increased from 3.1% in Q4/2011 to 12.8% in Q2/2014. This vacancy rate is the highest it has been in over 10 years. The Brisbane Fringe market has grown at a rapid pace, with net absorption averaging 49,300sqm per annum over the 10 years to 2013. Total completions for 2013 were 54,300sqm, and a further 18,700sqm has completed in the first half of 2014. A number of projects are currently under construction, which is expected to keep vacancy rates relatively high, at least over the next 12-24 months.

Asset Performance

Average prime gross effective rents fell by 10.1% in the 12 months to Q2/2014, primarily due to rising incentives required to attract new tenants. Incentives now sit at 37 months' rent free, or 31% (based on a 10-year lease).

The investment market, however, has been relatively strong, leading to moderate yield compression for prime assets in late 2013. Prime yields now range between 7.75% and 8.75%. Investor interest in the Fringe remains robust, with 16 assets (≥ AUD 5.0 million) transacting during the last 12 months, totalling AUD 539. million.

4.4 Adelaide Fringe Office

Overview

A new urban corridor zone has been created as part of the South Australian State Government's 30-year plan for Adelaide, which directly affects the Adelaide Fringe office market.

The new zoning is aimed at facilitating non-residential and medium to high density residential development in the urban corridors, which include the Adelaide Fringe.

Demand, Supply and Vacancy

There were no additions to stock in the first half of 2014 (PCA Jul-14). The last major project to complete was 170 Fullerton Road, leased to the major accounting firm, Deloitte. Deloitte relocated from a premises within the Fringe market (121 Greenhill Road).

While the new urban corridor zone is aimed to encourage more development (including withdrawals for residential), there is just one identified office project in the pipeline. The World Park Building C, which is owned by Axiom Properties, is DA Approved for 11,300 sqm but is classified as "mooted".

Negative net absorption of 4,200 sqm was recorded in the first half of 2014, and -1,700 sqm was recorded over 12 months (PCA).

As a result of no supply and negative net absorption in the first half of 2014, the vacancy rate moved out to 9.9%, and has been gradually rising since mid-2007 (1.4%) (PCA). The long-term (10-year) average vacancy rate is 5.3% for this market (PCA).

Asset Performance

Average prime gross face rents have remained relatively stable at between \$300 and \$465 per sqm p.a. although leasing incentives have risen in the Fringe as well at the CBD market.

The ownership profile of the Adelaide Fringe office market is largely made up of private owner occupiers and developers. Nevertheless, the demand for assets remains robust and yields currently range between 7.00% and 8.25%. A number of recent transactions include: 46 Greenhill Road (AUD 2.24 million), 179 Greenhill Road (AUD 2.42 million) and 36 Dequetteville Terrace, Kent Town (AUD 940,000).

Adelaide Fringe: Key Indicators

Adelaide Fringe	As at Jul-14	12-Month Outlook
Total Stock [^] ('000 sqm)	220	-
Net Supply Additions [^] (sqm - Last 12 mths)	3,800	-
Net Absorption [^] (sqm - Last 12 mths)	-1,723	-
Prime Vacancy (%)	n/a	-
Total Vacancy (%) [^]	9.9	-
Prime Gross Face Rents (\$ per sqm) at Q2/14	300 - 465	-
Prime Gross Effective Rents (\$ per sqm) at Q2/14	n/a	-
Incentives (%) at Q2/14	n/a	-
Prime Yield Range at Q2/14	7.00% - 8.25%	-

Source: [^]PCA, JLL Research

Independent Market Report

4.5 Chatswood Office

Overview

Chatswood is located on the lower North Shore and is classified as a major suburban CBD market. Although the office component of Chatswood (304,000 sqm) is smaller than North Sydney (834,000 sqm) or Parramatta (704,000 sqm), its high provision of retail and high density residential elevates the market's status.

Major occupiers include: Vodafone, Coffey, Lend Lease, Leighton Contractors and Transport NSW.

Demand, Supply and Vacancy

There was a reasonable level of new supply added to the Chatswood market between 2011 and 2013 (equivalent to 7.3% of total stock). The latest addition was the mixed-use development of Building G, at Pacific Place, 7 Railway Street, Chatswood, which added 4,900 sqm of strata office space upon completion in September 2013.

Supply is expected to remain subdued in the short to medium term due to the current low demand environment. Chatswood is unlikely to have any new supply at least over the remainder of 2014 and 2015, with no projects currently under construction or in the planning or approval stage.

Chatswood has a growing residential population and JLL expects office assets will be converted to residential over the next five years. Net absorption in Chatswood has averaged just 1,200 sqm p.a. over the last 20 years, with growth in some years, offset by contraction in others. Negative net absorption has been recorded for nine out of the last 20 years.

After recording negative net absorption of 900 sqm in 2013, positive absorption of 5,200 sqm has been recorded in the first half of 2014, partly driven by take-up of space by Lend Lease (3,100 sqm) in the first quarter.

The total market vacancy rate has fallen since Q3/2012 (12.1%) and is now 10.2% as at Q2/2014 and marginally below the 10-year long term average (12.8%). The vacancy rate for prime stock is currently higher than for secondary stock, a trend not uncommon for this market.

Asset Performance

Prime gross face rents have been growing on an annual basis since Q2/2010 although the pace of growth has slowed in the past few quarters. Average prime grade incentives have been rising in recent quarters and are currently 31% in Q2/2014. The rise in incentives over the 12 months to June has offset growth in face rents resulting in prime gross effective rents contracting fractionally (-0.2%). Incentives are unlikely to contract during 2015. However, JLL forecasts moderate gross face rental growth over the short to medium term.

Prime yields were stable between Q1/2013 and Q1/2014 but firmed by 25 basis points at the lower end of the range in Q2/2014 to 8.25%-9.00% from 8.25%-9.25%. Yields are forecast to remain stable through the remainder of 2014 but compress marginally in 2015.

Chatswood: Key Indicators

Chatswood	As at Jun-14	12-Month Outlook
Total Stock ('000 sqm)	304	➡
Supply Additions (sqm - Last 12 mths)	4,870	➡
Net Absorption (sqm - Last 12 mths)	9,895	⬇
Prime Vacancy (%)	10.8	➡
Total Vacancy (%)	10.2	➡
Prime Gross Face Rents (\$ per sqm)	522	⬆
Prime Gross Effective Rents (\$ per sqm)	354	➡
Incentives (%)	31	➡
Prime Yield Range	8.25-9.00%	⬇

Source: JLL Research

5 Market Outlook

5.1 Office

Limited development activity across decentralised office markets

New supply levels are expected to be low to moderate in most metropolitan markets, with higher levels for the South Sydney and Brisbane Fringe markets. Six projects totalling 78,900sqm are under construction in Brisbane Fringe and due for completion by Q4/2016.

Positive demand for office space from the government, financial, insurance and utilities sectors, together with limited prime grade office options will place downwards pressures on incentives through the balance of 2014 and into 2015, leading to a moderate rise in gross effective rents.

The outlook for face rents in the Brisbane Fringe and Chatswood is modest. Prime gross face rents are forecast to rise by 2.3% p.a. over the next five years in the Brisbane Fringe (2013 – 2018) and by 2.1% p.a. in the Chatswood office market. However, incentives are forecast to contract over the five-year forecast period in the Brisbane Fringe as the vacancy rate declines. This is forecast to drive above-trend effective rental growth in 2017 and 2018.

Support for yield compression

The prime yield spread (at the tighter end of the range) remains higher than historic averages between metropolitan markets and CBD markets in all metropolitan markets except Parramatta, which should be attractive to investors.

Some yield compression is forecast over 2015 in most metropolitan office markets, including Chatswood (-13 basis points). This is due primarily to the rising liquidity levels for metropolitan markets (transaction volumes have grown over the first half of 2014) and unsatisfied 'core focused' capital shifting to 'non-core' sectors. The Brisbane Fringe prime yield is forecast to compress by 37 basis points over the 5-year forecast horizon.

Over the next five years, Brisbane Fringe and Chatswood are expected to experience moderate capital value growth, of between 3.1% and 2.1% per annum. However, continued strong investor demand for quality assets with strong lease covenants should see these assets outperform the market.

5.2 Industrial

Demand for industrial property investments has been very strong since 2013. Sales volume has increased year-on-year and in 2013 reached AUD 3.6 billion, the second highest level on record. While activity in the first half of 2014 has been solid (AUD 1.7 billion), the pipeline of assets in the market, despite being of mixed quality, may result in transaction volume this year exceeding the record AUD 4.4 billion transacted in 2007.

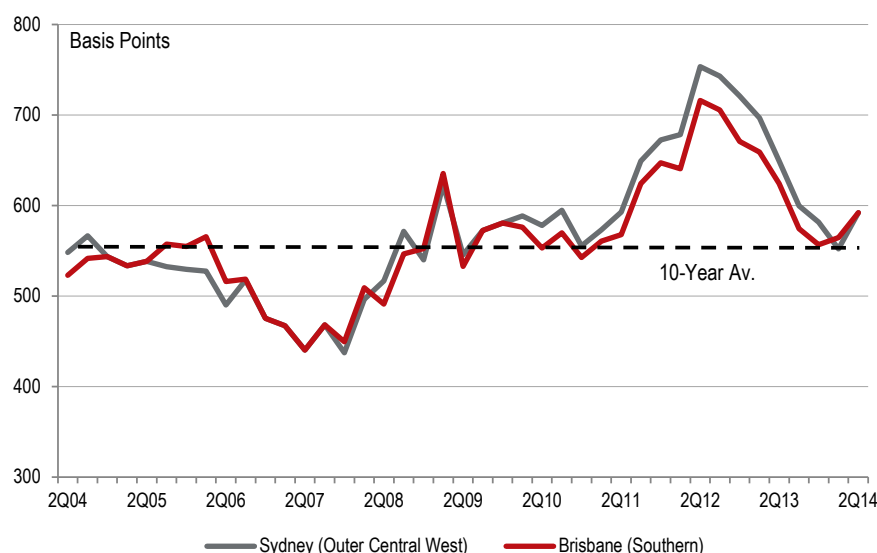
Investors continue to be attracted to the high entry yields on offer relative to the other commercial property sectors, the yield spread to the risk-free rate, the income return outperformance, and the ability to acquire modern buildings with long-term leases with fixed rental escalations.

JLL Research has argued that the industrial sector is once again being re-rated by the market – which is justifiable because of its unique characteristics: longer average lease terms, lower management intensity, fixed rental escalations, higher entry yields, transactional liquidity, rising institutional ownership and a high calibre occupier base.

Furthermore, the industrial sector continues to offer a yield premium to the office and retail sectors – supporting ongoing income return outperformance - and a premium to global industrial markets.

Independent Market Report

Figure 9: Prime grade industrial yield spread to Commonwealth Government Indexed Bond



Source: JLL Research, RBA

Investors are increasingly looking to acquire long-dated leased investments, which lengthen an existing portfolio WALE or seed a new investment vehicle or mandate. Groups that have identified their lower portfolio WALE as a weakness will look to improve this through targeted acquisitions.

Investors also continue to focus on unlocking opportunities that offer the ability to deploy capital efficiently and quickly. As a result, large format assets have become more desirable. Recent transactions have demonstrated that investors have become frustrated with the lack of opportunities and will accept some level of building specialisation in order to unlock core characteristics such as longer lease terms as a substitute for high quality distribution facilities.

The relative scarcity of investment opportunities in the current market is creating challenges for investors that have committed to growing their funds under management in the industrial sector, particularly by acquisitions. A key challenge for investors in 2014 will be how they deploy capital to access product and build a portfolio, while meeting other challenges such as re-weighting by geography, increasing portfolio WALE and finding higher yielding assets that remain accretive.

Re-weighting of portfolios by geography will be a particular challenge in 2014. A key question will be whether to actively target stabilised properties, or re-weight via increasing development pipeline in an underweight market (though this challenge is unique to investors with a development capability and focus). Evidence of groups looking to re-weight their portfolios can be found in the above average Sydney transaction volumes in 2013.

As a result of some of the above trends and challenges in the investment market, we expect to see more groups (a) partnering with developers or becoming active developers to grow their AUM; (b) targeting corporates that own real estate for sale-and-leaseback opportunities; (c) re-assessing the risk characteristics of specialised assets such as refrigerated facilities, regional distribution centres, food processing facilities or data centres; (d) targeting secondary grade assets that may be less competitively sought after; and (e) some owners may look to sell into a strong pricing cycle (despite the challenges presented by having to reinvest the proceeds of sale in the current investment climate).

The life cycle of industrial assets has come under increasing scrutiny due to the highly notable gains owners of older industrial assets have achieved through re-zoning and change of use (particularly to multi-unit residential). This feature can provide owners with a unique and often highly profitable exit strategy from assets that are not performing optimally. However, this upside is being priced into underlying land valuations in precincts that have potential for this redevelopment activity.

Appendices

Metropolitan Office Market Composition and Definition

Fringe	The fringe office markets include Sydney Fringe, Melbourne Fringe, Brisbane Fringe, Adelaide Fringe and West Perth. These markets adjoin their respective CBD markets and provide a viable near city alternative to the CBD. Typically, occupancy costs are lower (both rents and parking costs) and car parking provision is higher. Fringe locations suit companies that desire an affordable, central location with better access to low cost parking for both workers and customers.
Suburban CBDs	Suburban CBDs include Parramatta, North Sydney and Chatswood in Sydney, and Dandenong CBD, which is part of Melbourne's South East Suburbs. Some of these markets have attracted a large government workforce (e.g. Dandenong, Parramatta) with state government in particular decentralising some of their services to these locations. The markets generally have reasonable access to public transport and a good mix of support services. Rents are significantly lower than central CBD markets.
Business Parks	Business parks are typically lower density office locations providing modern, affordable accommodation with plentiful parking for workers and customers. Low rise buildings with large floor plates are common, providing greater flexibility and efficiency. Examples in Australia include Norwest and Homebush in Sydney and Monash, which is part of Melbourne's South East Suburbs.
Inner Suburban	Other inner suburban locations are often an extension of fringe markets and have attracted office accommodation due largely to their relatively central location and good access to transport e.g. St. Leonards/Crows Nest. These markets are attractive to companies seeking proximity to higher socio-economic residential areas in which a high proportion of employees reside.



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5.1 Overview of Centuria

Centuria is an ASX listed specialist property fund manager and financial services provider with a market capitalisation of \$70 million⁵⁵ and approximately \$1.6 billion in funds under management⁵⁶. Centuria is comprised of two divisions:

- **Property:** Centuria has been operating, acquiring, managing and transacting in office and industrial assets in the Australian market for over 15 years. Property funds under management is approximately \$0.9 billion and is currently invested across 21 funds comprising 28 properties⁵⁷; and
- **Financial Services:** Centuria offers a range of financial services and investment products focussed primarily on tax effective investment and insurance bonds. Currently Centuria has \$0.7 billion of funds under management in the financial services division⁵⁸.

Following its establishment in 1998 and ASX listing in 2002, Centuria has grown both organically and through a number of acquisitions as set out below.

Centuria Timeline

1999	2002	2004	2006	2008	2009	2011	2012
Centuria Property Funds (previously known as Century Funds Management) was established to securitise unlisted property investments for high net worth investors.	Over Fifty Group listed on ASX.	Century Funds Management acquired Bankminster Properties.	Over Fifty Group acquired Century Funds Management (\$500m funds under management).	Over Fifty Group acquired 51% of Eclipse Property Group, which manages a property portfolio of approximately \$230 million.	Capital raising of \$10.5 million for debt reduction and working capital.	Rebranding from Over Fifty Group to Centuria.	Establishment of Singapore presence to develop Asian platform for Centuria.

Notes:

(55) As at 31 October 2014.

(56) As at 30 June 2014.

(57) As at 30 June 2014.

(58) As at 30 June 2014.

Overview of Centuria

5.2 Board of CPFL

CPFL, in its capacity as the Responsible Entity of the Fund, is responsible for the overall activities and management of the Fund. CPFL is a wholly owned subsidiary of Centuria.

Details of the current Board and the senior management team of CPFL, as Responsible Entity of the Fund, are outlined below.



Peter Done

**Non-Executive
Chairman**

Qualifications

BCom, FCA

Peter joined Peat Marwick Mitchell & Co (now known as KPMG) in 1968, where he held the position of partner from 1979 until his retirement in 2006. During his 27 years as partner, he was the lead audit partner for many clients, including those involved in property development, primary production and television and film production and distribution.

Peter was appointed to the Board of CPFL in December 2007 and is a member of Centuria's Audit, Risk Management and Compliance Committee (**ARMCC**). Peter is a Non-Executive Director of Centuria.

Peter holds a Bachelor of Commerce (Accounting) from the University of New South Wales, and is a Fellow of the Institute of Chartered Accountants in Australia.



Matthew Hardy

**Independent
Non-Executive
Director**

Qualifications

BSc, ARICS, GAICD

Matthew has been a founding Director of real estate specialist executive search and consultancy Conari Partners and its corporate predecessor, Thomas Hardy, since 2002. He has also had extensive experience at a senior level in direct real estate, equities and funds management over 30 years. He has worked as a valuer and consultant in direct property in the UK and Australia for global groups Richard Ellis and Jones Lang Wootton, and also as a senior REIT analyst for Hambros Equities, and as Head of Property and Director of Property Investments for Barclays Global Investors where he managed the property securities funds in addition to Listed and Wholesale property funds.

Matthew has also been General Manager to the Mirvac managed, listed REIT, Capital Property Trust, and Head of Investments and Developments for Mirvac Funds Management where he drove strategy and new business development. Since leaving his executive position at Mirvac he has been a Non-Executive Director of Mirvac Funds Management before accepting a position as Non-Executive Director of Centuria Funds Management in July 2013.

Matthew is a member of CPFL's ARMCC and is also a member of the Royal Institution of Chartered Surveyors and the Australian Institute of Company Directors.

Matthew holds a Bachelor of Science (Urban Estate Surveying) from Nottingham Trent University.



Jason Huljich

**Executive Director
and CEO – Unlisted
Property Funds**

Qualifications

B. Com
(Commercial Law)

Jason has extensive experience in the commercial property sector with specialist skills in private property investment. He is currently President of the Property Funds Association (PFA) and sits on the National Executive Committee. The PFA is the peak industry body representing the \$32 billion direct property investment industry.

Jason is an Executive Director of Centuria and Centuria Property Services and joined the Board of CPFL in March 2001. In his role he is responsible for providing strategic leadership and ensuring the effective operation of CPFL's unlisted property portfolio.

Jason holds a Bachelor of Commerce (Commercial Law) from the University of Auckland, New Zealand.

5.3 Centuria Metropolitan REIT senior management team

The details and experience of the senior management team of the Fund are outlined below.



Nicholas Collishaw

**CEO – Listed
Property Funds**

Qualifications

SAFin; FAPI; FRICS;
GAICD

Nicholas Collishaw joined Centuria and was appointed CEO – Listed Property Funds, in May 2013.

Prior to this position, Nicholas held the position of CEO and Managing Director at the Mirvac Group. During his time at Mirvac Group (2005-2012) he was responsible for successfully guiding the business through the impact of the global financial crisis and implementing a strategy to position the real estate developer and investor for sustained growth.

During Nicholas' career, spanning over 30 years, he has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management gaining extensive experience in all major real estate markets in the United States, United Kingdom and Middle East.

Nicholas is currently a National Director of the Property Industry Foundation and a member of UNSW Faculty of the Built Environment Advisory Council.



Ben Harvie

**Head of Funds
Management -
Unlisted Property**

**Assistant Fund
Manager – Listed
Property**

Qualifications

BA Hons, MA.

Ben joined Centuria in October 2009 and became Head of Funds Management in July 2012. Ben is responsible for the performance and strategic direction of Centuria's portfolio of unlisted property funds.

Ben has a First Class Honours Degree in History from Oxford University, and a Masters in Property Investment. He is currently preparing to sit his APC to obtain full membership of the Royal Institution of Chartered Surveyors. Prior to becoming a member of the Centuria team, Ben worked for five years at the Miller Group Limited, one of the UK's largest privately owned property investment and development companies.



George Anastasiou

Senior Analyst

Qualifications

BBus, CA.

George joined Centuria in July 2013. In his role he is responsible for assisting the Assistant Fund Manager and CEO in assessing, monitoring and forecasting the performance of investment vehicles.

George has a Bachelor of Business (Accounting/Finance) from the University of Technology Sydney and is also a Member of the Institute of Chartered Accountants Australia. Prior to joining Centuria Property Funds, George worked for Deloitte Touche Tohmatsu for four years.

Financial Information

6.1 Introduction

The financial information contained in this Section has been prepared by CPFL and comprises the:

- historical income statements for the financial years ended 30 June 2013 (FY13) and 30 June 2014 (FY14) as set out in Section 6.3 (the **Historical Income Statements**);
- pro forma balance sheet as at Allotment as set out in Section 6.4 (the **Pro Forma Balance Sheet**);
- the forecast financial information, comprising:
 - pro forma forecast income statements for the seven month period from 1 December 2014 to 30 June 2015 and for the financial year ending 30 June 2016 (FY16) as set out in Section 6.5.1 (the **Pro Forma Forecast Income Statements**);
 - pro forma forecast distribution statements for the seven month period from 1 December 2014 to 30 June 2015 and for FY16 as set out in Section 6.5.2 (the **Pro Forma Forecast Distribution Statements**);
 - statutory forecast income statements for the year ending 30 June 2015 and FY16 as set out in Section 6.5.3 (the **Statutory Forecast Income Statements**);

together the **Forecast Financial Information**

the Pro Forma Balance Sheet and the Forecast Financial Information are collectively, the **Financial Information**.

Also summarised in this section are:

- the basis of preparation and presentation of the Financial Information (refer to Section 6.2);
- reconciliation of the statutory balance sheet as at 30 June 2014 to the Pro Forma Balance Sheet set out in Section 6.8; and
- CPFL's best estimate base case assumptions underlying the Forecast Financial Information (refer to Section 6.6) and key sensitivities in respect of the Forecast Financial Information (refer to Section 6.7).

Information provided in this section should be read in conjunction with the risks outlined in Section 9, the basis of preparation outlined in Section 6.2, the sensitivity analysis outlined in Section 6.7 and the other information provided in this PDS.

The Fund operates on a financial year ending 30 June. Rounding of the figures provided in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentages completed.

6.2 Basis of preparation and presentation of Financial Information

6.2.1 Overview

The Financial Information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards. However, the Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies relevant to the Financial Information are disclosed in Section 6.9.

The Financial Information has been reviewed by KPMG Financial Advisory Services (Australia) Pty Limited (KPMG Transaction Services) whose Investigating Accountant's Report is included in Section 7 of this PDS. Investors should note the scope and limitations of the Investigating Accountant's Report.

6.2.2 Presentation of the Historical Income Statements

The Historical Income Statements are extracted from the audited financial statements of the Fund for FY13 and FY14. No pro forma adjustments have been applied to the Historical Income Statements.

The financial statements of the Fund for FY13 and FY14 have been audited by KPMG, who has issued unqualified audit opinions. Investors should note that past results are no guarantee of the future performance of the Fund.

6.2.3 Preparation of Pro Forma Balance Sheet

The Pro Forma Balance Sheet is based on the audited balance sheet of the Fund as at 30 June 2014, after adjusting for certain pro forma transactions and/or other adjustments to reflect the Transaction. The key pro forma transactions and/or other adjustments have been prepared to reflect the impact of the Offer, including the acquisition of the New Properties (although the New Properties will not be acquired until after Allotment). Refer to Section 6.8 for a reconciliation of the audited balance sheet of the Fund as at 30 June 2014 and the Pro Forma Balance Sheet.

The Pro Forma Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of the Fund's future financial position.

6.2.4 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared using CPFL's best estimate base case assumptions set out in Section 6.6. CPFL believes that the Forecast Financial Information has been prepared with due care and attention, and consider the best estimate base case assumptions in Section 6.6, when taken as a whole, to be reasonable at the time of preparing this PDS.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that any deviation in the assumptions on which the Forecast Financial Information is based may have a material positive or negative effect on the Fund's financial performance or financial position.

The Forecast Financial Information has been prepared on the basis that the Transaction is implemented on 1 December 2014 (although the Transaction will not have been implemented as at that date).

The forecast income statements have been presented on both a pro forma and statutory basis. The Pro Forma Forecast Income Statements reflect the seven month period from 1 December 2014 to 30 June 2015 and FY16. The Statutory Forecast Income Statements reflect FY15 and FY16.

The principal differences between the Pro Forma Forecast Income Statements and Statutory Forecast Income Statements for the period to 30 June 2015 relate to:

- the Pro Forma Forecast Income Statements exclude one-off transaction costs;
- the Fund has a different capital structure in place prior to Allotment; and
- the New Properties in the portfolio being acquired following Allotment.

There are no differences between the pro forma and statutory forecasts for FY16.



9 Help Street, Chatswood

Financial Information

6.3 Historical Income Statements

The table below details the historical income statements of the Fund for FY13 and FY14.

	FY13 \$m	FY14 \$m
Revenue		
Gross property income	12.3	12.8
Straight lining of rental income ^(a)	(0.6)	(0.5)
Interest income	0.0	0.0
Total revenue	11.8	12.3
Expenses		
Direct property expenses	(3.3)	(3.5)
Responsible Entity fees	(0.7)	(0.7)
Finance costs ^(b)	(4.6)	(3.8)
Management and other administrative expenses	(0.2)	(0.3)
Total expenses	(8.8)	(8.3)
Gain on fair value of investment property	1.1	2.7
Net profit	4.0	6.7

Notes:

- (a) Straight lining of rental income not separately disclosed in the Fund's financial statements.
- (b) Finance costs are presented net of gain on fair value of derivative financial instruments in FY13 (\$0.9 million) and FY14 (\$1.5 million).

Discussion and analysis on the Historical Income Statements

The discussion of these general factors is intended to provide a summary overview only and does not intend to identify all factors that affected the historical operating and financial performance of the Fund.

Gross property income comprises rental income from the tenants of the portfolio. Rental income has been contracted to increase by varying rates according to the individual lease agreements. Gross property income from FY13 to FY14 increased by \$0.5 million, representing a 3.8% increase. This increase reflected increases in the occupancy at 44 Hampden Road, Artarmon and 9 Help Street, Chatswood as well as an increase in outgoings recoveries.

Straight lining of rental income is an adjustment required under Australian Accounting Standards to ensure that rental income is recognised on an even basis over the life of the lease when the lease has fixed rental increases throughout its term.

Direct property expenses comprise all costs not recoverable from tenants under the terms of their leases. From FY13 to FY14 these expenses increased by \$0.2 million representing a 5.8% increase. This increase reflected a lease fee incurred in relation to the new Cochlear lease at 14 Mars Road.

Responsible Entity fees are those fees received by CPFL under the terms of the Constitutions, calculated as 0.60% per annum of the value of the Fund's assets (the Responsible Entity fee will reduced to 0.55% following Listing). Responsible Entity fees increased 1.6% between FY13 and 14 reflecting an increase in the Property valuations of the Fund.

Finance costs include interest expense and amortised borrowing costs that the Fund incurred over the period. During FY13 and FY14, the Fund had Gearing of approximately 60%, well in excess of the Gearing of the Fund at Allotment. Between FY13 and FY14, finance costs decreased by \$0.2 million or 3.5%, this was due to an improved interest rate and lower interest bearing liabilities.

6.4 Pro Forma Balance Sheet

The table below sets out the Pro Forma Balance Sheet. Refer to Section 6.8 for a reconciliation of the audited balance sheet of the Fund as at 30 June 2014 and the Pro Forma Balance Sheet including assumptions and pro forma adjustments.

	As at Allotment \$m
Assets	
Cash ^(a)	2.0
Investment properties ^(b)	182.9
Other assets	0.4
Total assets	185.2
Liabilities	
Interest bearing liabilities ^(c)	47.7
Other liabilities	1.3
Total liabilities	49.0
Net assets	136.2
Contributed equity ^(d)	140.2
Retained earnings ^(e)	(4.0)
Total equity attributable to holders of Stapled Securities	136.2
Stapled Securities on issue (millions)	71.5
Net tangible assets per Stapled Security (\$)	1.91
Gearing (%) ^(f)	25.0%

Notes:

- (a) Cash and cash equivalents of \$2.0 million assumed to be held for working capital.
- (b) Investment Properties based on Independent Property Valuations described in Section 8.
- (c) Interest bearing liabilities represents \$48.0 million of drawn debt net of unamortised establishment costs of \$0.3 million.
- (d) Contributed equity represents \$143.0 million gross proceeds less \$2.8 million of Offer costs (which is the amount apportioned to equity).
- (e) Retained earnings represents a) expensed transaction costs of \$4.7 million, being \$4.0 million of stamp duty relating to the New Properties acquired, \$0.2 million of property due diligence expenses and \$0.5 million of other acquisition and offer costs that have been expensed and b) revaluation gains of \$0.7 million, being the difference between the purchase price and independent valuation of the New Properties.
- (f) Gearing is defined as interest bearing liabilities less cash divided by total tangible assets less cash.

Financial Information

6.5 Forecast Financial Information

6.5.1 Pro Forma Forecast Income Statements

The table below details the Pro Forma Forecast Income Statements for the seven month period from 1 December 2014 to 30 June 2015 and FY16 (together, the **Forecast Period**).

	Pro forma – 1 December 2014 to 30 June 2015 ^(a)	FY16
	\$m	\$m
Revenue		
Gross property income	11.5	20.2
Straight lining of rental income ^(b)	(0.1)	(0.5)
Interest income	0.0	0.1
Total revenue	11.5	19.7
Expenses		
Direct property expenses	(2.2)	(3.9)
Responsible Entity fees	(0.6)	(1.0)
Finance costs	(1.2)	(2.1)
Management and other administrative expenses	(0.2)	(0.3)
Total expenses	(4.2)	(7.3)
Net profit (before transaction costs)	7.3	12.3

Notes:

- (a) The Forecast Financial Information has been prepared on the basis that the Transaction is implemented on 1 December 2014.
- (b) Net of amortisation of leasing commissions and tenant incentives.



14 Mars Road, Lane Cove

6.5.2 Forecast Distribution Statements

Distributable Earnings represents net profit before tax (excluding transaction costs) adjusted for straight lining of rental income, rent free periods, gains or losses arising from movements in the fair value of investment properties, mark-to-market adjustments to derivatives and other non-cash items and the amortisation of lease incentives.

Distributions are to be paid on a quarterly basis. The first Distribution following Allotment is expected to be paid for the period starting on 1 December 2014 and ending 31 March 2015.

The Fund will aim to distribute between 90% and 100% of its Distributable Earnings each year.

The table below provides a reconciliation from the pro forma net profit (before transaction costs) to Distributable Earnings:

	Pro forma – 1 December 2014 to 30 June 2015 ^(a)	FY16
	\$m	\$m
Pro forma net profit (before transaction costs)^(b)	7.3	12.3
Straight lining of rental income ^(c)	0.1	0.5
Distributable Earnings	7.3	12.9
Distribution	6.9	12.2
Distributable Earnings per Stapled Security (cents)	10.2	18.0
Distribution per Stapled Security (cents)	9.6	17.0
Annualised Distributable Earnings Yield on Offer Price^(d)	8.80%	9.00%
Annualised Distribution Yield on Offer Price^(d)	8.25%	8.50%
Payout ratio (Distribution / Distributable Earnings)	93.8%	94.5%
Tax deferred component of Distribution ^(e)	36%	31%

Notes:

- (a) The Forecast Financial Information has been prepared on the basis that the Transaction is implemented on 1 December 2014.
- (b) Transaction costs will be funded by the proceeds from the Offer and do not affect the operating cash flow of the Fund.
- (c) Net of amortisation of leasing commissions and tenant incentives.
- (d) Annualised yield has been calculated by grossing up the 7 month yield for 12 months.
- (e) Tax deferred component of forecast Distributions is determined in accordance with tax legislation prevailing at the time of preparing the PDS. The actual tax deferred components of Distribution will be determined based on tax legislation prevailing at the time of the relevant distributions.

Financial Information

6.5 Forecast Financial Information

6.5.3 Statutory Forecast Income Statements

The table below details the Statutory Forecast Income Statements for FY15 and FY16, and in FY15 outlines the following:

- Column A represents the statutory forecast income statement for the five months from 1 July 2014 to 1 December 2014 based on the actual results from 1 July 2014 to 31 August 2014 and the forecast results from 1 September 2014 to 1 December 2014. This reflects the Fund prior to Listing when there was a different capital structure and the New Properties were not owned; and
- Column B represents the statutory forecast income statement from 1 December 2014 to 30 June 2015.

	5 months to 1 December 2014 (A)	1 December 2014 to 30 June 2015 (7 months) (B)	FY15 – statutory (A+B)	FY16 – statutory
	\$m	\$m	\$m	\$m
Revenue				
Gross property income	5.4	11.5	16.9	20.2
Straight lining of rental income ^(a)	(0.2)	(0.1)	(0.3)	(0.5)
Interest income	0.0	0.0	0.0	0.1
Total revenue	5.2	11.5	16.7	19.7
Expenses				
Direct property expenses	(1.3)	(2.2)	(3.5)	(3.9)
Responsible Entity fees	(0.3)	(0.6)	(0.9)	(1.0)
Finance costs	(2.0)	(1.2)	(3.3)	(2.1)
Management and other administrative expenses	(0.1)	(0.2)	(0.3)	(0.3)
Total expenses	(3.7)	(4.2)	(7.9)	(7.3)
Investment properties revaluation gain / (loss) ^(b)	0.7	-	0.7	-
Transaction costs ^(c)	(4.7)	-	(4.7)	-
Net profit	(2.5)	7.3	4.8	12.3

Notes:

- (a) Net of amortisation of leasing commissions and tenant incentives.
- (b) The Statutory Forecast Income statements only recognise the fair value adjustment relating to the difference between the purchase price and the 23 September 2014 independent valuation of the New Properties purchased for the Fund. There are no other fair value adjustments made on the basis that these adjustments cannot be reliably determined at the date of this PDS.
- (c) Transaction costs of \$4.7 million is made up of \$4.0 million of stamp duty relating to the New Properties acquired, \$0.2 million of property due diligence expenses and \$0.5 million of other acquisition and offer costs that have been expensed through the income statement.

Given the change in capital structure and acquisition of New Properties, column A and column A+B are not considered meaningful in assessing the merits of an investment in the Fund.

6.6 Base case assumptions

CPFL's key best estimate assumptions that relate to the preparation of the Forecast Financial Information are set out below.

6.6.1 General assumptions

Key best estimate general assumptions include:

- the Transaction is implemented in full by 1 December 2014;
- CPI of 2.75% from 1 December 2014 to 30 June 2016;
- no acquisitions or disposals of investment properties over the Forecast Period;
- no material contract disputes or litigation over the Forecast Period;
- no material change in the competitive operating environment during the Forecast Period;
- no significant change to the legislative regime and regulatory environment in the jurisdictions in which the Fund operates during the Forecast Period;
- no significant change to the Fund's capital structure over the Forecast Period;
- no material change in credit markets;
- all existing leases are enforceable and are performed in accordance with their terms;
- no material changes to applicable Australian Accounting Standards, other mandatory professional reporting requirements and the Corporations Act during the Forecast Period;
- no material changes to Australian income tax legislation; and
- no movement in the fair value of investment properties or other financial assets which includes any mark to market movements in relation to new interest rate swaps entered into by the Fund. CPFL does not believe these movements can be reliably forecast.

6.6.2 Specific assumptions

Key best estimate general assumptions include:

Gross property income

- gross property income has been forecast on a property by property basis based on existing leases and assumptions for future occupancy rates, tenant retention and market rentals; and
- gross property income is post all rent free or abatement incentives offered to tenants. Where incentives are given, CPFL forecasts that rent free or abatement incentives apply to all tenants who are expected to renew their leases and that incentives given to new tenants are split evenly between rent free or abatement and the reimbursement of fitout costs.

Straight line lease adjustment to rental income

- in accordance with Australian Accounting Standards, a straight line lease adjustment has been provided to fixed rental increases to ensure rental income has been recognised on a straight line basis over the term of the lease.

Reletting and vacancy

- letting up periods have been forecast on a property by property basis and range primarily between nine and twelve months (from 1 December 2014 to the end of the Forecast Period) based on CPFL's assessment of the individual tenancy. This assessment has also had regard to the independent valuer's assessment;
- retention rates for existing tenants have been forecast on a property by property basis based on CPFL's assessment of the individual tenancy, with regard to the independent valuer's assessment;
- lease incentives have been assumed on a property by property basis and primarily range between 20% and 30% (for new leases from 1 December 2014 to the end of the Forecast Period). Lease incentives for new leases are assumed to be taken 50% as a rent free period and 50% as a fitout contribution. Lease incentives for renewing tenants are assumed to be taken completely in the form of a rent free or abatement period; and
- leasing commissions have been assumed on the let up of each individual lease. Commissions have been forecast in the range of 10% for renewals and 20% for new leases.

Direct property expenses and outgoings

- direct property expenses and outgoings have been forecast by CPFL on a property by property basis. Outgoings are forecast to increase in line with CPI or through fixed increases indexed to statutory rates and taxes as agreed in existing contracts.

CPFL's fee

- as Responsible Entity of the Fund, CPFL is entitled to a management fee of 0.55% of GAV. CPFL's management fee as Responsible Entity will be calculated and paid monthly by the Fund; and
- CPFL will be entitled to be reimbursed for expenses relating to the proper performance of its duties as Responsible Entity.

Financial Information

6.6 Base case assumptions (continued)

6.6.2 Specific assumptions (continued)

Finance costs

- the Fund's borrowings under its the Debt Facility are expected to incur an average interest rate of 4.8% for the seven months to 30 June 2015 and 4.7% for FY16 inclusive of all margins and fees. A blend of three and five year interest swaps will be entered into so as to hedge a significant portion of the initial drawn debt. The Fund will have access to an appropriate level of undrawn debt facilities to fund any capital expenditure over the Forecast Period; and
- refer to Section 13.4 for a summary of the Debt Facility.

Management and other administrative expenses

- the Fund is expected to incur management and administrative expenses including ASX listing fees, share registry fees, legal, audit, accounting and other costs in the operation of its business. These costs have been forecast based on CPFL's best estimates based on a combination of existing benchmarks and external benchmarks and quotes.

Transaction costs

- transaction costs include stamp duty, property due diligence and other costs such as ASX listing fees, offer management costs and advisor fees;
- as at the date of this PDS, total transaction costs borne by the Existing Investors in relation to the development and implementation of the Transaction amount to \$1.2 million;
- no stamp duty is payable on the Existing Assets

held by the Fund as a result of the Transaction. Stamp duty of approximately \$4.0 million will be payable on the acquisition of the New Properties. Due diligence costs of approximately \$0.2 million relating to the acquisition of the New Properties will also be incurred;

- debt establishment costs of \$0.3 million are expected to be incurred; and
- other transaction costs of the Transaction (excluding stamp duty, due diligence costs, debt establishment costs and the \$1.2 million of costs incurred by the Fund in relation to developing and implementing the Transaction) are estimated to be \$3.2 million.

Capital expenditure

- allowances have been made for maintenance capex and estimated make-good payments of approximately \$2.0 million over the Forecast Period which will be funded by retained earnings and debt.

Taxation

- the Fund will be treated as a trust for Australian taxation purposes. Under Australian income tax legislation the Fund will not be liable for Australian income tax (which includes capital gains tax) provided its distributable income is distributed to Investors in each income year. Therefore, no allowance for income tax has been applied; and
- Goods and Services Tax (GST) expected to be incurred by the Fund in respect of transaction costs and ongoing operations has been forecast.

Distribution Reinvestment Plan

- the Financial Information has been prepared on the basis that there will be no operating Distribution Reinvestment Plan (DRP).



6.7 Sensitivity analysis

The Forecast Financial Information is based on a number of best estimate assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of CPFL. These estimates and assumptions are subject to change.

Investors should be aware that future events cannot be predicted with certainty and, as a result, deviations from the figures forecast in this PDS are to be expected.

To assist investors in assessing the impact of these assumptions on the Forecast Financial Information, the table below sets out the sensitivity of the Fund's forecast Distributable Earnings to certain changes in a number of key variables. The changes set out below are not intended to be indicative of the complete range of possible variations that may arise.

6.7.1 Distributable Earnings sensitivity

		1 December 2014 to 30 June 2015			FY16	
		\$ million	cents per Stapled Security		\$ million	cents per Stapled Security
Distributable Earnings		7.3	10.2		12.9	18.0
Impact of change from assumption						
50 basis point change in interest rates (post hedging)	+/-	0.00	(0.01)	+/-	(0.01)	(0.01)
25 basis point change in CPI in other expenses	+/-	0.00	0.00	+/-	0.00	0.00
Tenant renewal assumptions in FY16 changed from 'renew' to 'vacate'	-	0.00	0.00	-	(0.20)	(0.28)

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the financial forecast. In practice, changes in variables may offset each other or may be cumulative.

Financial Information

6.8 Reconciliation of the Fund's statutory balance sheet as at 30 June 2014 to the Pro Forma Balance Sheet

The table below sets out a reconciliation between the Fund's Pro Forma Balance Sheet and the audited balance sheet of the Fund as at 30 June 2014.

\$m	30 June 2014	Pro forma adjustments from 30 June 2014 for the period prior to 1 December 2014	Pro forma	Pro forma adjustments to reflect the impact of the Offer at 1 December 2014	Pro forma
	A		B		
Cash	2.8		2.8	(0.8)	2.0
Investment properties	110.5		110.5	72.4	182.9
Other assets	0.4		0.4		0.4
Total assets	113.6		113.6	71.6	185.2
Interest bearing liabilities	67.9	2.0	69.9	(22.2)	47.7
Other liabilities	2.5	(1.2)	1.3		1.3
Total liabilities	70.4	0.8	71.2	(22.2)	49.0
Net assets	43.2	(0.8)	42.4	93.9	136.2
Contributed equity	43.2	(0.8)	42.4	97.8	140.2
Retained earnings	-		-	(4.0)	(4.0)
Total equity attributable to Investors	43.2	(0.8)	42.4	93.9	136.2
Stapled Securities on issue (pre consolidation)	82.8		82.8		
Net tangible assets per Stapled Security (\$)	0.52		0.51		
Stapled Securities on issue (post consolidation)	82.8	(61.6)	21.2	50.3	71.5
Net tangible assets per Stapled Security (\$)	0.52		2.00		1.91
Gearing	58.8%		60.6%		25.0%

The Pro Forma Balance Sheet is based on the following assumptions:

(A) Pro forma adjustments to the Fund's 30 June 2014 balance sheet for the impact of the following transactions prior to Allotment:

- closing out interest rate derivatives;
- costs borne by the Existing Investors in relation to the development and implementation of the Transaction of \$1.2 million; and
- consolidation of the Stapled Securities of the Fund at the ratio of 1 Stapled Security in the Fund for every 3.9 Stapled Securities, this ratio reflecting the pro forma NTA of the Fund pre consolidation and the Offer Price.

(B) Pro forma adjustments to reflect the impact of the Offer as at Allotment:

- reduction in cash and cash equivalents to maintain \$2.0 million to fund working capital for liquidity;
- acquisition of 555 Coronation Drive Brisbane, 149 Kerry Road Archerfield and 13 Ferndell Street Granville (although the New Properties will not be acquired until after Allotment). The New Properties have been included in the Pro Forma Balance Sheet at their independent valuation which reflects a \$0.7 million premium to their purchase price;
- \$22.1 million to partially fund the repayment of existing debt facilities. The balance of which will be refinanced with new drawn debt; and
- an equity raising of \$114.3 million⁵⁹.

Notes:

(59) Stapled Securities of Existing Investors that did not elect to participate in the Cash Out Facility total \$28.7 million as at Allotment (assuming a Stapled Security price equal to the Offer Price of \$2.00 per Stapled Security, although Stapled Securities may trade above or below the Offer Price). Stapled Securities of Existing Investors that elected to participate in the Cash Out Facility total \$13.7 million, based on a redemption price of \$2.00 per Stapled Security.

6.9 Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Information are set out below. The preparation of the Financial Information requires estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant accounting policies below apply estimates, judgements and assumptions which could materially affect the financial results or financial position reported in future periods.

6.9.1 Revenue recognition

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Rental income not received at reporting date is reflected in the Pro Forma Balance Sheet. If rents are paid in advance these amounts are recorded as payables in the Pro Forma Balance Sheet.

Lease incentives granted are recognised as an integral part of the net consideration agreed for the use of the leased premises, irrespective of the incentive's nature or form or the timing of payments. The aggregate cost of lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

Contingent rents based on the future amount of a factor that changes other than with the passage of time are only recognised when due.

Recovery of outgoings are recognised on an accrual basis.

Interest income is recognised in profit or loss as it accrues, using the effective interest rate of the instrument calculated at the acquisition or origination date.

6.9.2 Finance costs

Finance costs include interest expense and amortised borrowing costs. Interest expense is recognised in profit or loss as it accrues. Finance costs are recognised using the effective interest rate applicable to the financial liability.

6.9.3 Other expenses

All other expenses, including management fees, are recognised in profit or loss on an accruals basis. Other operating expenses include legal, accounting and audit fees.

6.9.4 Taxation

Under current legislation the Fund is not subject to income tax when its distributable income (which may include assessable realised capital gains) is distributed in full to the Investors.

6.9.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is initially recorded at cost which includes acquisition costs. Subsequently, the investment property is measured at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is de-recognised.

6.9.6 Borrowings

Borrowings are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method with any difference between the initial and recognised amount and redemption value being recognised in profit or loss over the period of borrowing and are de-recognised when the contractual obligations are discharged, cancelled or expire.

6.9.7 Derivative financial instruments

CPFL holds derivative financial instruments to hedge the Fund's interest rate exposures.

Derivatives are initially recognised at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and the resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

6.9.8 Payables

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

6.10 Working capital

CPFL is of the opinion that the Fund will have sufficient working capital to carry out its stated objectives. The Fund is expected to have \$2.0 million in cash at bank as at Allotment. In addition to this amount, the Fund is expected to have \$6.9 million in undrawn debt capacity under the Debt Facility at Allotment. Therefore, the Fund is expected to have combined cash and debt reserves of \$8.9 million as at Allotment.

Investigating Accountants Report

**KPMG Transaction Services**

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The Directors
Centuria Property Funds Limited - as Responsible
Entity of each of Centuria Metropolitan REIT No.1
and Centuria Metropolitan REIT No. 2
Suite 39.01, Level 39
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North Sydney
NSW 2060

11 November 2014

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide**Investigating Accountant's Report****Introduction**

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Centuria Property Funds Limited ("CPFL"), in its capacity as Responsible Entity of each of Centuria Metropolitan REIT No.1 and Centuria Metropolitan REIT No. 2 (together referred to as "the Fund") to prepare this report for inclusion in the Product Disclosure Document ("PDS") to be dated on or about 11 November 2014, and to be issued by CPFL, in respect of the proposed initial public offering ("IPO") and listing of stapled securities of the Fund on the Australian Securities Exchange ("Transaction").

Expressions defined in the PDS have the same meaning in this report.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma balance sheet and forecast financial information described below and disclosed in the PDS.



The pro forma balance sheet and forecast financial information is presented in the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Balance Sheet

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma balance sheet of the Fund (the responsible party) included in the PDS.

The pro forma balance sheet has been derived from the historical financial information of the Fund, after adjusting for the effects of pro forma adjustments described in section 6.8 of the PDS. The pro forma financial information consists of the Fund's unaudited pro forma Statement of Financial Position as at the Allotment Date and related notes as set out in section 6.8 of the PDS issued by CPFL (the "Pro Forma Balance Sheet").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 6.8 of the PDS. Due to its nature, the Pro Forma Balance Sheet does not represent the company's actual or prospective financial position.

The Pro Forma Balance Sheet has been compiled by CPFL to illustrate the impact of the event(s) or transaction(s) described in section 6.8 of the PDS on the Fund's financial position as at the Allotment Date. As part of this process, information about the Fund's financial position has been extracted by CPFL from the Fund's financial statements and financial records as at the Allotment Date.

The financial statements of the Fund for the year ended 30 June 2014 were audited by KPMG in accordance with Australian Accounting Standards. The audit opinions issued to the members of the Fund relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Balance Sheet in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Balance Sheet is not prepared, in all material respects, by the directors in accordance with the stated basis of preparation. As stated in section 6.8 of the PDS the stated basis of preparation is:

- the extraction of the balance sheet from the audited financial statements of the Fund for the year ended 30 June 2014 ("Historical Balance Sheet"); and
- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and the Fund's accounting policies, to the Historical Balance Sheet

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of the Fund to illustrate the effects of the Transaction on the Fund as if the Transaction had occurred on 30 June 2014 as described in section 6.8 of the PDS.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

Historical financial information

- consideration of workpapers, accounting records and other documents, including those dealing with the extraction of the Historical Balance Sheet of the Fund from its audited financial statements for the year ended 30 June 2014;

Pro forma adjustments

- consideration of the pro forma adjustments/transactions described in the PDS;
- enquiry of directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro Forma Balance Sheet; and
- a review of accounting policies for consistency of application in the preparation of the pro forma adjustments.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Balance Sheet is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Forecast Financial Information and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the forecast financial information, comprising the Fund's:

- pro forma forecast income statements for the period from 1 December 2014 to 30 June 2015 and for the financial year ending 30 June 2016;
- pro forma forecast distribution statements for the period from 1 December 2014 to 30 June 2015 and for the financial year ending 30 June 2016; and
- statutory forecast income statements for the financial year ending 30 June 2015 and for the financial year ending 30 June 2016,



as described in section 6.2.4 of the PDS (the “Forecast Financial Information”). The directors’ best-estimate assumptions underlying the Forecast Financial Information are described in section 6.6 of the PDS. As stated in section 6.5 of the PDS, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Fund’s accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in section 6.6 of the PDS, and the directors’ best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors’ best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
 - prepared on the basis of the directors’ best-estimate assumptions as described in the PDS; and
 - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and the Fund’s accounting policies;
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management and directors of CPFL of the factors considered in determining their assumptions; and
- examination, on a test basis, of evidence supporting:
 - the assumptions and amounts in the Forecast Financial Information; and
 - the evaluation of accounting policies used in the Forecast Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance

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engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of CPFL are responsible for the preparation of:

- the Pro Forma Balance Sheet, including the selection and determination of the pro forma transactions and/or adjustments made to the Historical Balance Sheet and included in the Pro Forma Balance Sheet; and
- the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Balance Sheet

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Balance Sheet, as set out in section 6.4 of the PDS, comprising the pro forma historical balance sheet of the Fund as at the Allotment Date, is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 6.8 of the PDS, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Fund's accounting policies.

Forecast Financial Information and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information for the period from 1 December 2014 to 30 June 2015 and the financial year ending 30 June 2016 do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in section 6.2 of the PDS; and
 - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and the Fund's accounting policies; and



- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by CPFL management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of the Fund for the year ending 30 June 2015 and the year ending 30 June 2016.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of CPFL. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Fund, which are detailed in the PDS and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in section 6.7 of the PDS. The sensitivity analysis described in section 6.7 of the PDS demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of CPFL, that all material information concerning the prospects and proposed operations of the Fund has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of the Fund and from time to time, KPMG also provides CPFL with certain other professional services for which normal professional fees are received.

Investigating Accountants Report



General advice warning

This report has been prepared, and included in the PDS to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 6.1 of the PDS, which describes the purpose of the financial information, being for inclusion in the PDS. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the PDS in the form and context in which it is so included, but has not authorised the issue of the PDS. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the PDS.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Craig Mennie'.

Craig Mennie

Authorised Representative


KPMG Transaction Services

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
10 Shelley Street
Sydney NSW 2000

P O Box H67
Australia Square 1215
Australia

ABN: 43 007 363 215
KPMG Tax Lawyers Pty Limited

Financial Services Guide
Dated 11 November 2014

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**), and Craig Mennie as an authorised representative of KPMG Transaction Services (**Authorised Representative**), authorised representative number 404257.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;

- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is

KPMG Transaction Services is an affiliate of KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Investigating Accountants Report

*Centuria Property Funds Limited
Limited Assurance Investigating Accountant's Report and Financial
Services Guide
11 November 2014*

authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Centuria Property Funds Limited (CPFL), in its capacity as Responsible Entity of Centuria Metropolitan REIT No.1 and Centuria Metropolitan REIT No. 2 (together referred to as the Fund) to provide general financial product advice in the form of a Report to be included in the PDS (Document) prepared by CPFL in relation to the initial public offering and listing of the stapled securities of the Fund (the Fund/Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than CPFL.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by CPFL, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, CPFL has agreed to pay

KPMG Transaction Services approximately \$150,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to CPFL and for which professional fees are received. Over the past two years professional fees of \$50,000 have been received from CPFL. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, CPFL or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO
Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Craig Mennie
C/O KPMG
PO Box H67
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Summary of Independent Property Valuations

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14 October 2014

The Directors

Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
Suite 39.01, Level 39,
100 Miller St
North Sydney NSW 2060

Via E-mail: victor.georos@centuria.com.au

Dear Directors,

**RE: Valuation as at 23 September 2014
9 Help Street, Chatswood, NSW ('The Property')**

We refer to recent instructions issued by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT requesting Colliers International Valuation & Advisory Services (CIVAS (NSW) Pty Limited ('CIVAS')) to assess the Market Value of 9 Help Street, Chatswood, New South Wales ('The Property') for Financial Reporting and Registered First Mortgage Security purposes.

Further to these instructions we have also been instructed to provide a summary of the valuation report for inclusion in a Product Disclosure Statement (PDS) issued by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT.

This summary outlines the key considerations adopted in arriving at our opinion of Market Value. For further information, reference should be made to the full valuation report (Our Ref: N3095) as at 30 June 2014 in addition to our update valuation report (Our Ref: N3142) as at 23 September 2014, held by Centuria Property Funds Limited.

Basis of Valuation

The valuation has been completed in accordance with the following definition of Market Value as defined by the International Valuation Standards Committee (IVSC), endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law:

"Market Value is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Summary of Value

We have assessed the Market Value of the freehold interest in the Property as at 23 September 2014 to be the sum of \$43,000,000 (excluding GST), subject to the qualifications and assumptions contained within our formal valuation reports.



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Liability limited by a scheme approved under Professional Standards Legislation

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
9 Help Street, Chatswood, NSW



Brief Description of Property

Completed in 1991 and subsequently refurbished in 2009/2010, the subject property comprises a 12 storey commercial office building located in Chatswood. The total Net Lettable Area (NLA) as currently configured is 9,393.60 m², incorporating 26.00 m² of Ground Floor retail accommodation, 246.00 m² of Ground Floor accommodation used as an auditorium and 9,121.60 m² of office accommodation over Levels 1 to 8. Three (3) levels of basement parking are provided for a total of 140 vehicles, configured as 116 single spaces and 24 tandem stacked spaces. The improvements are erected upon an irregular shaped site of 2,488 m².

As at the date of valuation the subject property is fully leased by NLA, however there are 53 single and 16 tandem car spaces currently vacant. The major tenant is CH2M Hill Australia Pty Limited, whom currently occupy an aggregate area of 2,909.90 m², or 30.98% of the total NLA under three (3) leases with a co-terminus expiry date of 31 March 2016. Other major tenants include Visionstream Australia Pty Limited (9.64% of the total NLA) and Appen Pty Limited (9.49% of the total NLA).

As at the date of valuation the weighted average lease duration by area and income reflects 3.73 years and 1.69 years, respectively. The average lease duration is 4.12 years.

The subject property is located in the core of the Chatswood CBD, situated on the northern alignment of Help Street with an additional northern frontage to McIntosh Street, between the Pacific Highway and Railway Street. Chatswood is an established commercial/retail centre situated on Sydney's Lower North Shore, approximately 10 kilometres north of the central Sydney Central Business District (CBD).

Rental Profile and Key Considerations

As at the date of valuation, the subject property is fully leased by NLA, however there are 69 vacant parking spaces.

The current passing rental equates to \$4,248,316 per annum net (fully leased). The current passing net income (on a fully leased basis) is marginally above our estimated net market income of \$4,173,735 per annum (+1.76%).

It is noted that the adopted Average Market Office rental reflects \$377/m² net face (\$465/m² gross face), as compared with an Average Passing Office rental of \$381/m² net (\$471/m² gross), a variance of \$-4/m² net.

Adopted outgoings reflect \$843,098 per annum for the 2014/15 Financial Year, reflecting \$89.75 per m².

It is noted the Average Lease Duration and Weighted Lease Duration by Area are relatively high at 4.12 years and 3.73 years, respectively. This is a consequence of The Council of the City of Willoughby occupying the auditorium on the Ground Level for a term of 99 years extending to 246.00 m² or approximately 2.6% of the total NLA.

Summary of Independent Property Valuations

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
9 Help Street, Chatswood, NSW



The tenant is paying a notional rent of \$1 per annum fixed for the duration of **the lease until 27 June 2090**. This occupied area is included within the property's total net lettable area with its proportion of outgoings currently payable by the Lessor.

Given the accommodation is utilised as an auditorium and is encumbered by the 99 year lease we have not attributed a market rent to the area as it is unlikely another tenant will take possession. As such, we consider the Weighted Lease Duration by Income of 1.69 years to be the most relevant indicator and whilst low, is not considered uncommon for this style of asset in a suburban office location.

We note the following tenancies with lease expires falling due within the next 6 months for which full allowances have been included within our valuation calculations:

Tenancy	Tenant	Area	Expiry Date	Comment
Suite 101	Conrad Gargett Pty Ltd	166.30 m ²	31-Jan-15	Tenant will vacate upon lease expiry. Nil retention included for the purpose of our assessment, 100% incentive allowance applied.
Suite 502	Lend Lease Engineering Pty Ltd	774.60 m ²	30-Dec-14	As above.

In addition to the above, we note that two tenancies include break clauses which can be activated by the lessee's.

We note that the lease to Pure Australasia Pty Limited includes a break clause effective from commencement of Year 4 of the lease, which we have assumed is exercised by the Lessee for the purpose of our assessment resulting in an expiry date of 31 December 2015. Further, the lease to Appen Pty Limited includes a break clause effective from commencement of Year 5 of the lease, with a penalty payment applicable should the Lessee activate the break provision. As such, we have assumed that this clause is not exercised by the Lessee in this instance.

As at the date of our assessment, Outstanding Incentives equivalent to \$431,045 on a Present Value basis have been included within our assessment of Market Value.

Valuation Methodology

In determining the Market Value of the Property, CIVAS has examined the available market evidence and applied this analysis to the Capitalisation of Net Income and Discounted Cash Flow (DCF) Approaches. These approaches have in turn been checked by the Direct Comparison Approach on the basis of sales analysed as a rate per square metre of NLA.

The Capitalisation of Net Income Approach has been undertaken by applying a yield to both the potential fully let passing net income (initial yield) and the potential reversionary net income (equated reversionary yield). To the value derived, adjustments have been made for any rental reversions, vacancies, leasing costs and capital expenditure required over the first two (2) years.

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
9 Help Street, Chatswood, NSW



The DCF has been undertaken over a 10-year time horizon discounting the net income over this period on a monthly basis together with the value of the property, net of selling expenses, in the 121st month. The net present value has been determined after allowing for capital expenditure and costs associated with the purchase of the property. Our valuation has been undertaken on a GST exclusive basis.

Valuation Analysis and Assumptions

The following criteria have been adopted:

- (i) We have capitalised the net passing income at 8.50% in line with the available market evidence. We have also considered the reversionary approach, whereby the net market income has been capitalised at a market yield of 8.50% with cognisance of available market evidence;
- (ii) A DCF analysis over a 10-year investment horizon has been undertaken, based upon a discount rate of 9.25%, average net face office rental growth over the cash flow term of 3.44% per annum, and an adopted terminal yield of 8.75%;
- (iii) Outgoings have been adopted at \$843,098 per annum or \$89.75 per m², which appears appropriate for this style of property, being a refurbished commercial building originally constructed in 1991, currently awarded a 5 Star NABERS Base Building Energy rating; and
- (iv) Based upon our adopted value of \$43,000,000 the subject Property reflects an initial passing yield of 9.19%; an equivalent initial yield of 8.64%; an equivalent reversionary yield of 8.51%, an IRR of 9.56% (including capital expenditure), 10.28% (excluding capital expenditure) and a capital value of \$4,578 per m² of NLA. These parameters are considered reasonable given the inherent features of the asset, the available and comparable sales evidence and the current market dynamics.

Sale History

Our research reveals the subject property has not traded within the last five years.

Market Commentary

The most recent Metropolitan Office market commentary along with the most relevant recent sales and leasing evidence is summarised in the full valuation report (Our Ref: N3095) as at 30 June 2014 and in the update valuation report (Our Ref: N3142) dated 23 September 2014 held by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT.

Material Assumptions

Material assumptions are contained within the full valuation report (Our Ref: N3095) as at 30 June 2014 and in the update valuation report (Our Ref: N3142) dated 23 September 2014 held by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT.

Summary of Independent Property Valuations

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
9 Help Street, Chatswood, NSW



Qualification and Warning

CIVAS has been engaged by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT to provide a valuation of 9 Help Street, Chatswood, New South Wales.

Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT wish to include the Report in the PDS and have requested that CIVAS consent to the inclusion of this Report.

CIVAS consents to the inclusion of this Report in the PDS and to being named in the PDS, subject to the comments, terms and assumptions contained within our full valuation report, valuation update report and this summary letter, and the further condition that Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT include this Qualification and Warning:

- (i) This Report has been prepared for Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT and for the specific purposes outlined within the full valuation report and update valuation report and cannot be relied upon by third parties;
- (ii) This Report is a summary of the valuation of the subject property identified as 9 Help Street, Chatswood, New South Wales as at 23 September 2014 and has not been prepared for the purpose of assessing the Property as an investment opportunity;
- (iii) CIVAS has not been involved in the preparation of the PDS nor has the Report had regard to the other material contained in the PDS. The Report and its content do not take into account any matters concerning the investment opportunity contained in the PDS;
- (iv) CIVAS makes no representation or recommendation to a Recipient in relation to the valuation of the property or the investment opportunity contained in the Report;
- (v) Recipients must seek their own advice in relation to the investment opportunity contained in the PDS; and
- (vi) The events of early 2008 including the initial sub-prime fallout in the United States and subsequent Global Financial Crisis (GFC) created uncertain times for both the equities and property markets in Australia which softened considerably during this period. This change in markets impacted to varying degrees upon a variety of participants. Whilst a degree of uncertainty still remains within these markets, the magnitude would appear to be less than that evident throughout 2008 and the majority of 2009. Improving levels of investor confidence and general market activity within Australian property markets were evidenced throughout 2010 and until early to mid-2011. Since this time the concerns regarding European sovereign debt crises re-introduced a layer of general market conservatism into domestic markets, somewhat setting back the momentum that appeared to be gaining throughout late 2010 and early 2011. We note that investment returns for good quality assets with secure cash flows generally stabilised over 2010, with a degree of yield compression evident for certain assets. We have seen this trend continue to date, although reinforce that healthy levels of demand are only evident for quality stock. In contrast, we note poorer quality assets and particularly those with considerable existing vacancy and / or short term major tenant expiry continue to be priced by the shallower market on an opportunistic basis, and thereby remain at risk of a prolonged period of softer investment fundamentals.

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
9 Help Street, Chatswood, NSW



We draw your attention to the fact that the Market Value adopted herein is subject to the issues outlined above, and should be closely monitored in light of future events. Furthermore, it is our strong recommendation that regular valuation updates be initiated and instructed by Centuria Property Funds Limited, as Responsible Entity.

CIVAS has prepared this Report on the basis of, and limited to, the financial and other information (including market information and third party information) referred to in the Report and contained in the full valuation and update valuation reports. We have assumed that the third party information is accurate, reliable and complete and confirm that we have not tested the information in that respect.

Liability Disclaimer

In the case of advice provided in this letter and our report which is of a projected nature, we must emphasise that specific assumptions have been made by us which appear realistic based upon current market perceptions. It follows that any one of our associated assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted by us in this event.

This report has been prepared subject to the conditions referred to in our Qualification & Warning. Neither CIVAS nor any of its Directors makes any representation in relation to the PDS nor accepts responsibility for any information or representation made in the PDS, apart from this letter.

CIVAS has prepared this summary which appears in the PDS. CIVAS was involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaims any liability to any person in the event of any omission from, or false or misleading statement included in the PDS, other than in respect of the valuation and this summary. We confirm that this summary may be used in this PDS.

The valuation is current as at the date of the valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements or factors specific to the particular property. We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

CIVAS confirms that it does not have a pecuniary interest that would conflict with its valuation of the property.

CIVAS is not providing advice about a financial product, nor the suitability of the investment set out in the PDS. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Colliers International does not, nor does the Valuer, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the properties detailed in this report.

Summary of Independent Property Valuations

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
9 Help Street, Chatswood, NSW



Valuers Experience and Interest

The Valuers, Cassandra Mortimer AAPI and Anthony Mylott FAPI, have had in excess of five (5) years continuous experience in the valuation of property of similar type and are authorised by law to practise as Valuers in New South Wales. We advise that CIVAS has received a market based fee for the preparation of the valuation report and this summary letter. Further, we confirm that the nominated Valuers do not have a pecuniary interest that could conflict with the proper valuation of the property, and we advise that this position will be maintained until the purpose for which this valuation is being obtained is completed.

Yours sincerely,

CIVAS (NSW) Pty Limited

A handwritten signature in blue ink, appearing to be "D. Hillier", written over a faint blue circular stamp.

Dwight Hillier FAPI, MRICS
Managing Director | Valuation & Advisory Services

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www.dtz.com

The Directors
Centuria Property Funds Limited
Level 39, 100 Miller Street
North Sydney NSW 2060

13 October 2014

Dear Sirs,

Re: 555 Coronation Parade, Toowong Qld

We refer to your instructions dated 16 August 2014 requesting DTZ to prepare a market valuation of the aforementioned property. We have inspected the property on 16 September 2014, and completed a comprehensive valuation report dated 23 September 2014 as requested. This valuation summary has been prepared for inclusion into a Product Disclosure Statement (PDS) for Centuria Property Funds Limited as Responsible Entity for Centuria Metropolitan REIT.

DTZ Australia (NSW) Pty Ltd (DTZ) consents to being named in the PDS and to the inclusion of the summary valuation within the PDS. As at the date of the PDS, this consent has not been withdrawn.

For further information reference should be made to the full copy of the valuation report dated 23 September 2014, report number 14/074 which is available for inspection at the offices of Centuria Property Funds Limited.

BRIEF DESCRIPTION

The land is improved with a three (3) storey prominent office building with 2.5 levels of basement parking, constructed in 1989 and refurbished over the last 4 years. The building affords open floor plates of up to 2,000 square metres with good natural light and river views.

The subject property is located in Toowong, which is an established near city precinct located approximately 3 kilometres southwest of the Brisbane CBD.

The property is full leased to 5 tenants with a good WALE for this style of asset of 3.99 years as at the date of valuation.

Summary of Independent Property Valuations



INCOME SUMMARY

Income Category	Area (sqm) / Car Spaces	Passing Income		Market Income		Variance to Market	
		\$ pa	\$psm \$pcm	\$ pa	\$psm \$pcm	\$ pa	%
Office	5,591	\$2,923,905	\$523	\$2,767,545	\$495	\$156,360	5.3%
Car Parking	175 cars	\$606,866	\$289	\$619,500	\$295	(\$12,634)	-2.1%
Signage	4	\$52,527	\$13,132	\$52,527	\$13,132	\$0	0.0%
Storage	187	\$39,441	\$211	\$39,865	\$213	(\$424)	-1.1%
Outgoing Recoveries		\$56,051	\$10	\$0	\$0	\$56,051	100.0%
Total Gross Income		\$3,678,790	\$658	\$3,479,437	\$622	\$199,353	5.4%
Less Total Outgoings		\$536,028	\$96	\$536,028	\$96		
Net Income		\$3,142,762	\$562	\$2,943,409	\$526	\$199,353	6.3%
Gross Income on Vacant Areas		\$0					
Gross Income on New Leases		\$0					
Total Gross Income (Fully Leased)		\$3,678,790	\$658				
Net Income (Fully Leased)		\$3,142,762	\$562				

VALUATION SUMMARY

Valuation Date	23-Sep-14
Capitalisation Approach	\$34,200,000
Discounted Cash Flow Approach	\$33,700,000
Direct Comparison	\$34,100,000
Market Value	\$33,800,000
Weighted Average Lease Expiry (by Income)	3.99
Passing Initial Yield	9.30%
Equivalent Yield	8.72%
Internal Rate of Return (inc. Capex)	9.70%
Improved Value psm	\$6,045

VALUATION RATIONALE

In arriving at our valuations we have examined the available market evidence and applied this analysis to the Discounted Cash Flow approach, Capitalisation of Net Income approach and Direct Comparison approach.

MARKET COMMENTARY

Following the completion of less than 30,000 sqm of new supply in 2013, Brisbane CBD has entered into a supply lull. As a result, there have been no new completions or substantial refurbishments returned to the market in 2014 to date. Instead however, landlords with substantial vacancies have opted to withdraw some of their available space for partial refurbishment/fit-out.

The office leasing market has largely tracked sideways over the first half of 2014. There has been no material improvement in demand drivers and tenant demand remains subdued. Consequently, the vacancy rate in the CBD is expected to have ticked upwards further. Meanwhile net face rents have softened further and incentives have increased.



A summary of the Brisbane rental market drivers are outlined below

	CURRENT DRIVERS		FORECAST (6 - 9 MONTHS)		
	Prime Rents	Incentives	Face Rents	Incentives	Performance / Sentiment
Brisbane CBD Core	\$600 - \$700	25.0% - 30.0%	↓	↑	↓
River Precinct	\$600 - \$700	25.0% - 30.0%	↓	↑	↓
Fortitude Valley	\$500 - \$575	25.0% - 30.0%	↓	↑	↓
Milton	\$480 - \$520	27.0% - 32.0%	↓	↑	↓
Toowong	\$480 - \$500	27.0% - 32.0%	↓	↑	↓
Spring Hill	\$470 - \$500	37.0% - 32.0%	↓	↑	↓

On a more positive note, investment in Queensland rebounded strongly to \$742m in Q2 2014, after a lacklustre start to the year. Although this is down 11% from the rolling 3-year quarterly average of \$832m, it is up 86% on the Q1 2014 result of \$397m. A total of 17 transactions were recorded in Q2 2014, of which 4 were in the office sector. These deals attracted \$378m (51%) of the state's quarterly investment volume (Figure 1). The outlook for Brisbane's investment market, in particular the office market, will be characterised by the limited availability of investment grade assets. Together with ongoing investor interest in Australia, this should keep prime yields firm.

In reflection of the overall attractiveness of Australian commercial real estate, national investment activity picked up in Q2 2014. At the halfway point through 2014, investment volume stands at \$14bn, almost 30% higher than H1 2013 at \$11bn. Of this total however, \$3.7bn is attributed to the joint takeover of Commonwealth Property Office Fund (CPA) by DEXUS and the Canadian Pension Plan Investment Board (CPPIB).

Investment in Queensland also rebounded strongly to \$742m in Q2 2014, after a lacklustre start to the year.

A summary of Brisbane investment market drivers are outlined below.

	CURRENT DRIVERS		FORECAST (6 - 9 MONTHS)	
	Prime Yields		Yields	Performance / Sentiment
Brisbane CBD Core	6.25% - 7.25%		→	→
Fortitude Valley	7.25% - 8.25%		→	→
Milton	8.25% - 8.75%		→	→
Toowong	8.50% - 9.00%		→	→
Spring Hill	8.50% - 9.00%		→	→

Summary of Current Market Investment Drivers as at June 2014

The domestic Australian economy continues to perform well, in comparison to some major foreign economies however is facing more recent uncertainty and is sending some mixed messages. Consumer and business confidence remain variable whilst economic drivers such as unemployment have deteriorated slightly but the housing market is reaching new highs.

Appetite from locally based investors is still variable. Demand is considered very strong for core assets and quality assets with long term income streams. Overall investor sentiment is considered to have improved, particularly for quality assets however overall remains sporadic and affected by the continued international volatility. Activity still appears to be dependent upon the qualities of the specific asset. More recent sales of

Summary of Independent Property Valuations



several non core Brisbane assets demonstrate a potential expansion of investors appetite and future activity in this sector, however investors are being critical in their assessments.

In summary, the above factors point toward a market demonstrating a broader investment approach and capacity in comparison to the recent past however investor appetite is still considered to be primarily related the qualities and potential of the specific asset rather than the sector as a whole. We consider these factors will continue to influence the market in 2014 unless a change to economic fundamentals occurs.

LIABILITY AND OTHER DISCLAIMERS

DTZ were involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the PDS other than in respect of the valuation and summary. DTZ is not licensed to provide financial product advice under the Corporations Act 2001. DTZ confirms it has been paid a fee of \$11,500 excluding GST by Centuria Property Funds Limited for this summary and valuation.

Neither the whole nor any part of this valuation report summary or any reference thereto may be included in any published documents, circular or statement, or published in part or in full in any way without written approval of the form and context in which it may appear.

No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the property market subsequent to the date of valuation.

DTZ is not related to Centuria Property Funds Limited and is therefore independent of them. DTZ have no interest in the subject property and no personal interest with respect to the parties involved.

Neither the valuer nor DTZ has any pecuniary (or other) interest giving rise to a conflict of interest in valuing the property.

Yours sincerely

DTZ Australia (NSW) Pty Ltd

A handwritten signature in black ink, appearing to read 'J. Waugh'.

**John Waugh FAPI
Certified Practising Valuer
National Head of Valuation Services**



Jones Lang LaSalle Advisory Services Pty Limited
 ABN 56 003 262 600
 PO Box 1539 SA 5001
 Level 22, 25 Grenfell Street Adelaide SA 5000
 tel +61 8 8233 8888 fax +61 8 8223 8855

TAG:CAP/8938_4_valuation summary letter FINAL 10 November 2014
 Phone: 8233 8860
 Email: tracy.gornall@ap.jll.com

10 November 2014

Mr Victor Georos
 Australian Executor Trustees Ltd
 c/o Centuria Property Funds Limited
 PO Box 6274
 NORTH SYDNEY NSW 2059

Dear Victor

PROPERTY VALUATION
1 RICHMOND ROAD, KESWICK, SA (THE "PROPERTY")

1. Instructions

We refer to instructions from Centuria Property Funds Limited requesting that Jones Lang LaSalle Advisory Services Pty Limited ("JLL") undertake a market valuation of the 100% Freehold interest in the Property as at 23 September 2014 for and on behalf of Centuria Property Funds Limited ("Centuria") as Responsible Entity for the Centuria Metropolitan REIT for acquisition and financial reporting purposes and for National Australia Bank Limited for first mortgage security purposes.

We provide this summary letter for inclusion in a Product Disclosure Statement ("PDS"). For further information, we refer you to our full valuation report held by Centuria.

We advise that we have been instructed to value the property as at 23 September 2014, which is our date of valuation. The Property was inspected on 12 June 2014 and 13 October 2014 and our valuation reflects the valuer's view of the market at the date of valuation, and does not purport to predict the future. Our assessment assumes that there was no material change to the Property between the date of valuation and the latter date of inspection (discussions with the Property Manager indicate there were no significant changes) and we reserve the right to review the valuation if there were material changes to the Property over this period.

2. Reliance on this Letter

This letter summarises our full valuation report. This letter alone does not contain all of the data and supporting information which is included in our report. For further information, we recommend the reader review the contents of the complete, self-contained report held by Centuria.

Summary of Independent Property Valuations

3. Basis of Valuation

The purpose of the valuation was to assess the Property's "market value" as that term is defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API):

"Market Value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

Included in our valuation are lessor-owned building fixtures, fittings, plant and equipment. Movable equipment, furniture, furnishings and tenant owned fit-out and improvements are excluded.

Our valuation is current as at the date of valuation only. The value as assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the Property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of that statement, we do not assume any responsibility or accept any liability in circumstances where the valuation is relied upon more than 90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation. However, it should be recognised that Property's value is not assured for that 90 day period; our valuation always remains a valuation at the date of valuation only.

4. Brief Property Description

The Property is improved with an older-style commercial office building, with a total Net Lettable Area of approximately 8,135 square metres. The building, which was constructed circa 1985, is disposed over five levels including ground and four upper floors. The accommodation is currently configured over four tenancies, two of which extend over two floors each with interconnecting stairs.

Carparking is provided to the rear of the site and is generally open and at grade providing around 326 spaces in total. Several landscaped garden beds extend through the carparking area. Further landscaping is provided along the Richmond Road frontage, extending around the eastern side of the building.

The building is fully leased to four tenants, including three State Government departments and the Royal District Nursing Service (RDNS).

The Property is situated to the western periphery of the Adelaide Fringe Office precinct, on the northern side of Richmond Road, a short distance west of the intersection with Anzac Highway and Greenhill Road. The completion of the first stage of the World Park development, to the immediate west, has helped to improve the appeal of the locality for office use.

We highlight that the registered proprietor has lodged a planning application to subdivide the Subject land into two parcels, a front allotment containing the office building together with at grade carparking and a rear allotment (hammerhead shape).

A second office building is proposed for the rear allotment, although will be subject to tenant precommitment.

The plans have been approved, subject to conditions and we consider it prudent to allow for additional value associated with the amount of surplus land contained within the Subject Property and the potential ability to subdivide the land. While we acknowledge that the whole land is encumbered by existing carpark licence agreements with the Subject tenants, there is the opportunity to construct a building over the existing carpark.

5. Valuation Rationale

In assessing the market value of the Property, we conducted various investigations including analysing available market evidence, and we applied that analysis to the capitalisation of income and discounted cash flow approaches.

In relation to the latter approach, we stress that the estimating of future rentals and values is a very problematic exercise, which at best should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forward projection of key elements includes assumptions regarding a considerable number of variables which are acutely sensitive to changing conditions, variation in any of which may significantly affect value.

6. Brief Market Commentary

- Rental growth continues to be subdued with low levels of tenant demand being experienced. Incentives in the office market are currently at cyclically high levels where there is supply/demand imbalance.
- The purchaser market for commercial/retail property includes a broad range of buyer categories comprising private investors, owner-occupiers and syndicates of investors with increased activity from institutional buyers in recent times.
- Whilst private and syndicate groups remain relatively active, especially for the more affordable assets say under \$5 million, there does appear to be much more scrutiny over purchase decisions by both purchasers and funding institutions.
- Despite weaker leasing market fundamentals, robust investment demand through increasing weight of money has resulted in some yield compression for prime assets over the past 12 months.
- The likely buyer group for the Subject Property is considered to be private investors and syndicates.

Summary of Independent Property Valuations

7. Sales Evidence Summary

A summary of investment sales considered is below. We refer to our full valuation report for descriptive detail.

Property	Date	Sale Price (\$ million)	Initial Yield	Equiv Yield	IRR	Rate \$/sqm	WALE by income (Years)
300 Richmond Road, Netley	Jun-14	\$30.25	7.27%	9.18%	9.63%	\$813	10.0
44 Waymouth Street, Adelaide	Jan-14	\$14.1	4.00%	9.28%	9.85%	\$1,953	0.40
22 King William Street, Adelaide	Jun-14	\$41.8	8.60%	8.23%	9.25%	\$4,333	4.57
70 Light Square, Adelaide	Sep-13	\$14.5	8.82%	8.77%	9.23%	\$4,279	4.21
101 Grenfell Street, Adelaide	Jan-13	\$43.1	9.00%	9.12%	9.91%	\$3,255	5.24
400 King William Street, Adelaide	Dec-12	\$97.9	8.21%	8.22%	8.99%	\$4,527	7.07
Hugh Cairns Avenue, Bedford Park	Nov-12	\$16.5	10.94%	10.27%	10.86%	\$2,651	6.83

8. Information Sources

The information reviewed or previously provided includes, but is not limited to, the following:

- Town planning and flooding information obtained from the West Torrens Council;
- Current Title Searches, Title and Site Plans and Sales Data from the Land Services Group, Adelaide;
- Sales and leasing data from various industry sources, including sales and leasing real estate agents;
- Research and forecasts from Jones Lang LaSalle Research;
- Various items of information provided by Mr Stuart Wilton of Centuria (Instructing Party);
- Various items of information provided by Ms Sharon Campbell, Building Operations Manager, MRS Property (Property Manager); and
- Lease documentation, building areas, income and expenditure report, tenancy schedule and budgets supplied by the Property Manager, Mr Paul Scarborough, MRS Property.

Our valuation is based on a significant amount of information which is sourced from the property manager, the instruction party and other third parties, including but not limited to tenancy schedules, title, site and planning documents. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. JLL accepts no liability for any inaccuracies contained in the information disclosed by the Client or other parties, or for conclusions which are drawn either wholly or partially from that information. Should inaccuracies be subsequently discovered, we reserve the right to amend our valuation assessment.

9. Valuation Summary



Executive Summary

Property	1 Richmond Road, Keswick, SA
Property Description	Commercial Office
Net Lettable Area	8,135 square metres
Car Parking	277 spaces - 1 car park per 29.37 sqm
Prepared For	Centuria Property Funds Limited and the nominated financier of Financial Reporting, First Mortgage Security and Product
Purpose	
Date of Valuation	23 September 2014
Valuation Approach	Capitalisation of Net Income and Discounted Cashflow
Valuation	\$25,150,000 plus GST (if any)

**Valuation Analysis - including surplus land**

Initial Yield (Net Passing)	9.70%
Initial Yield (Fully Leased)	9.70%
Equivalent Yield	10.14%
Internal Rate of Return (Ten Year)	9.93%
Weighted Average Lease Term - Income	4.40 years
Weighted Average Lease Term - Area	4.29 years
Occupancy As Valued	100.00%
Capital Value per square metre of NLA	\$3,092 /sqm

This information in this summary is derived from and should be read in conjunction with the full text of the accompanying report.

The analysis below excludes the value of the surplus land

Capitalisation Approach

Value Based on Market Capitalisation	\$23,316,000
Value Based on Contract Capitalisation	\$23,393,000
Capitalisation Rate	10.00%

Discounted Cashflow Approach

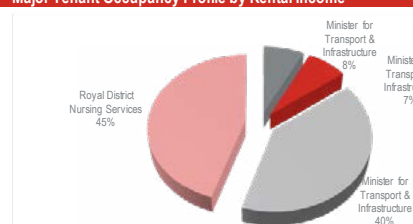
Value Based on DCF Approach	\$22,774,000
Discount Rate	10.00%
Terminal Capitalisation Rate	10.00%
Nominal Assumed Rental Growth	2.58% pa
Nominal Assumed CPI	2.44% pa

Contract and Market Rental Income Summary

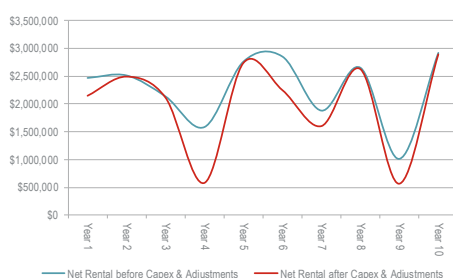
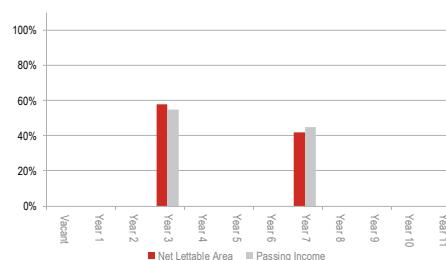
	Contract	Market
Rental Income	\$3,116,092	\$3,104,928
Other Income	\$78,000	
Recoverable Outgoings	\$88,287	
Gross Income	\$3,282,379	\$3,104,928
Total Outgoings	(\$843,319)	(\$843,319)
Net Income	\$2,439,060	\$2,261,609

DCF Sensitivity Analysis

Discount Rate	Terminal Yield		
	9.75%	10.00%	10.25%
9.75%	\$23,456,000	\$23,184,000	\$22,924,000
10.00%	\$23,090,000	\$22,774,000	\$22,571,000
10.25%	\$22,732,000	\$22,472,000	\$22,224,000

Major Tenant Occupancy Profile by Rental Income**Capex and Letting Up Assumptions**

	Year 1	Year 2	Year 3
Capex	\$320,338	\$20,956	\$21,574
Letting Up	\$0	\$0	\$803,137
Unexpired Incentives	\$0	\$0	\$0

Projected Net Rental Cash Flow**Lease Expiry Profile**

The information in this summary is derived from the full valuation report and is a summary only. It must not be relied on for any purpose. Jones Lang LaSalle's valuation of this asset is subject to assumptions, conditions and limitations. Those are set out in the full valuation report prepared in relation to the asset.

Summary of Independent Property Valuations

10. Qualifications

JLL has been engaged by Centuria to provide a valuation of the Property.

We consent to the inclusion of this summary letter in the PDS on the following conditions:

- This letter is a summary of the valuation dated 23 September 2014 only and has not been prepared for the purpose of assessing the Property as an investment opportunity.
- JLL has not been involved in the preparation of the PDS nor have we had regard to any material contained in the PDS. This letter does not take into account any matters concerning the investment opportunity contained in the PDS.
- JLL has not operated under an Australian financial services licence in providing this letter and makes no representation or recommendation to a prospective investor in relation to the valuation of the Property or the investment opportunity contained in the PDS.
- The formal valuation dated 23 September 2014 and this letter are strictly limited to the matters contained within them, and are not to be read as extending, by implication or otherwise, to any other matter in the PDS. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
- Neither this letter nor the full valuation report may be reproduced in whole or in part without the prior written approval of JLL.
- JLL has prepared this letter solely in reliance upon the financial and other information (including market information and third party information) provided by the instructing party and has assumed that information is accurate, reliable and complete. We confirm that we have not tested the information in that respect.
- This summary letter is to be read in conjunction with our formal valuation report of 23 September 2014 and is subject to the assumptions, limitations and disclaimers contained therein. We refer the reader to Centuria to obtain a copy of the full report.
- JLL has received a fee from Centuria for the preparation of the valuation report and this summary letter.
- JLL is a participant in the Australian Property Institute ("API") limited liability scheme. This scheme has been approved under Professional Standards legislation and is compulsory for all API members.

11. Valuer's Experience and Interest

The valuer who prepared the valuation report, Ms Tracy Gornall has more than 15 years' valuation experience in a range of property types and is authorised under the requirements of the API to practise as a valuer in South Australia.

Ms Gornall has no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the Property's value or that could conflict with a proper valuation of the Property.

12. Liability Disclaimer

This letter has been prepared subject to the conditions referred to throughout this letter and in Section 10 of the letter. Neither JLL nor any of its directors makes any representation in relation to the PDS nor accepts responsibility for any information or representation made in the PDS, other than this summary letter.

JLL consents to this letter being included in the PDS noting that JLL was involved only in the preparation of this summary letter and the valuation report referred to herein, and specifically disclaims any liability to any person in the event of any omission from, or false or misleading statement included in the PDS, other than in respect of the valuation report and this summary letter.

Yours faithfully

Jones Lang LaSalle Advisory Services Pty Limited

A handwritten signature in blue ink, appearing to read 'Tracy Gornall', is centered within a light blue rectangular box.

Tracy Gornall, FAPI

Certified Practising Valuer

B Bus (Prop) Hons

Director, Head of Valuations & Advisory – South Australia

Liability limited by a scheme approved under Professional Standards Legislation.

Summary of Independent Property Valuations



14 October 2014

Mr Victor Georos
Senior Portfolio Manager
Centuria Property Funds Limited
Suite 39.01, Level 39, 100 Miller St
North Sydney NSW 2060

Dear Victor

RE: VALUATION – 3 CARLINGFORD ROAD, EPPING NSW 2121

Instructions

We refer to your instructions requesting Knight Frank Valuations prepare a market valuation of the abovementioned property on behalf of Centuria Property Funds Limited as the Responsible Entity for a Fund to be established (CPFL) for acquisition purposes; Centuria Property Funds Limited as the Responsible Entity for a Fund to be established (CPFL) to advise investors of the current market value of the properties by way of a Product Disclosure Statement (PDS) for an initial public offering (IPO) of securities in a new listed investment vehicle; Centuria Property Funds Limited as the Responsible Entity for a Fund to be established (CPFL) for financial reporting purposes and internal reporting purposes and for first mortgage security purposes; The National Bank of Australia for first mortgage security purposes.

In accordance with the Corporations Law, Market Value means the estimated amount for which an asset should exchange on the date of valuation, taking into account the value of all estates in that property, and based on the price at which the property might reasonably be expected to be sold at the date of the valuation, assuming:

- (i) a willing, but not anxious, buyer and seller;
- (ii) a reasonable period within which to negotiate the sale having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property was reasonably exposed to the market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued;
- (v) that the entity has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
- (vi) that the entity has sufficient resources to negotiate an agreement for sale of the property.

In formulating our valuation, we have relied upon property information provided by Centuria Property Funds Limited, including but not limited to the following:

Level 4, 60 Miller Street, North Sydney NSW 2060 T+61 (0) 2 9028 1100 F+61 (0) 2 9028 1198
PO Box 1952, North Sydney NSW 2059
www.knightfrank.com.au

Valuations Services (NSW) Pty Ltd ABN: 83 079 862 990, trading under licence as Knight Frank Valuations, is independently owned and operated, is not a member of and does not act as agent for the Knight Frank Group.
TM Trade mark of the Knight Frank Group used under licence.



Centuria Property Funds Limited as
Responsible Entity for the Centuria Metropolitan REIT



- Tenancy schedule.
- Full copy of leases, licences and heads of agreement.
- Budgeted outgoings.
- Capital expenditure budget.
- Survey plan and floor plans.

Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information including by analysis against industry standards. Based upon that review, we have no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, our enquiries are necessarily limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or “due diligence” investigation might disclose.

We have disregarded the presence of any mortgage or other financial liens pertaining to the property.

We also note that the valuation is current as at the date of valuation only and we can give no guarantee that the property has not altered since the date of valuation.

For further information, reference should be made to our full Valuation Report dated 23 September 2014. This correspondence is subject to and should be read in conjunction with all qualifications, assumptions, conditions and disclaimers contained within that report.

Valuation Summary

We are of the opinion that the market value of the property assuming a sale of the unencumbered freehold interest subject to the existing lease agreements as at the 23 September 2014 is **\$16,500,000** (GST Exclusive).

Brief Description of the Property

A modern B-grade office building completed circa 1986 which has undergone periodic refurbishment, extending over ground and four upper levels of office accommodation, with parking provided over a single basement level. The subject does not have a NABERS rating.

The property is located towards the north western fringe of the Epping Central Business District, with frontage to both Carlingford Road and Rawson Street. Epping is located approximately 20 kilometres northwest of the Sydney CBD and approximately 8 kilometres north east of the Parramatta CBD.

Tenancy Overview

The property is 93.3% occupied with a weighted average lease expiry profile by income of 2.9 years. The accommodation is leased to 18 tenants, who typically comprise local small to medium business enterprises, engaged in various fields including financial services, legal, education and healthcare.

Summary of Independent Property Valuations

Centuria Property Funds Limited as
Responsible Entity for the Centuria Metropolitan REIT



The office leases are structured on a net basis, whereby each tenant is responsible for a proportionate share of outgoings, and are under fixed review structures of generally between 3.00%–5.00% p.a., with market reviews incorporated at option.

Income Profile

We have assessed the net passing income for the property as at the date of valuation to be \$1,494,497 per annum plus GST.

The passing income is based on our review and analysis of the tenancy information provided. We note that should any of the information provided be found erroneous or has varied, we reserve the right to review and if necessary, amend our valuation.

Market Commentary

The Epping office market is considered a secondary market, due to its location and lack of critical mass in comparison to established markets such as the North Sydney, North Ryde and Parramatta. The precinct has however benefited from ongoing transport infrastructure upgrades including the Epping Rail/Bus Interchange, Epping to Chatswood rail line, Lane Cove Tunnel and M2 Motorway upgrade.

There is presently approximately 42,500m² gross floor area (GFA) of office space within the Epping precinct inclusive of the two office parks in Cambridge Street, and subsequent to the withdrawal from the market of Epping Office Park at 240-244 Beecroft Road, Epping for the construction of the North West Rail Link.

In the future it is expected that the composition of the office market in Epping will change due to a rise in demand for residential and retail development within the Town Centre, which takes advantage of the excellent public transport links, proximity to major arterial roads and location within metropolitan Sydney. This has been facilitated by the recent gazettal of the Epping Town Centre as an Urban Activation Precinct.

Valuation Analysis & Assumptions

The following schedule summarises relevant comparable suburban office sales which have been considered in the preparation of our valuation.

Property	Price	Date	Core Market Yield	IRR Rate	\$/m ² NLA
33 Herbert Street, St Leonards	\$24,000,000	Feb 2014	9.8%	9.4%	\$3,957
93 George Street, Parramatta	\$28,750,000	Nov 2013	9.8%	9.4%	\$4,034
55 Chandos Street, St Leonards	\$15,750,000	July 2013	8.9%	9.4%	\$4,165
21 Solent Circuit, Norwest	\$32,250,000	April 2013	10.8%	10.0%	\$2,992

The valuation has been determined via reconciliation between the capitalisation and discounted cash flow (10 year) methods of valuation, with support from direct comparison methodology.

Under our capitalisation approach, we derived a fully leased estimated net market rental income based on net face rentals for the office accommodation of the property, together with parking and signage.

Centuria Property Funds Limited as
Responsible Entity for the Centuria Metropolitan REIT



The net market rental was capitalised to arrive at the estimated market value before adjustment for current vacancies, imminent expiries, outstanding incentives and capital expenditure allowances.

We have adopted a capitalisation rate of 9.50% within the capitalisation approach, which has been applied to the assessed net market income of \$1,698,017 per annum.

The assessed value of \$16,500,000 (GST exclusive) reflects the following investment parameters:

Initial Yield %	Core Market Yield %	IRR Rate (%)	Rate/m ² NLA
9.1%	9.5%	9.6%	\$3,510

Qualifications & Disclaimers

Knight Frank Valuations have prepared this summary which appears in this PDS for Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT. Knight Frank Valuations were involved only in the preparation of this summary and the valuation referred to therein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in, the PDS or other document, other than in respect of our valuation and this letter.

Knight Frank Valuations has consented to this summary being included in this PDS, but Knight Frank Valuations is not providing advice about a financial product, nor the suitability of the investment set out in this PDS. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. Knight Frank Valuations does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our valuation reports.

In the case of advice provided within this report which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market perceptions. It follows that any one of the assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted in this event.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three (3) months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Knight Frank Valuations has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and for the purpose of this valuation we have assumed that the information is correct.

Summary of Independent Property Valuations

Centuria Property Funds Limited as
Responsible Entity for the Centuria Metropolitan REIT



This valuation does not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, we have assumed that detailed reports with respect to the structure and service installation of the improvements both would not reveal any defects or inadequacies requiring significant capital expenditure.

Knight Frank Valuations has received a fee of \$13,500 (exclusive of GST) in connection with the preparation of our valuation and this summary letter. The fee is not in any way linked to nor has it influenced the opinion of value noted and Knight Frank Valuations does not have any pecuniary interest in Centuria Property Funds Limited and has provided this report solely in its capacity as an independent professional advisor.

Yours faithfully

KNIGHT FRANK VALUATIONS

A handwritten signature in dark ink, appearing to read "M. Lucas".

MATT LUCAS AAPI
Registered Valuer No. VAL11518
Associate Director

A handwritten signature in dark ink, appearing to read "L. J. Graham".

LACHLAN J GRAHAM
Divisional Director
(Counter-signatory only)

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The Directors
Centuria Property Funds Limited
Level 23, 111 Pacific Highway
North Sydney NSW 2060

13 October 2014

Dear Sirs,

Re: 44 Hampden Road, Artarmon NSW

We refer to your instructions dated 1 September 2014 requesting DTZ to prepare a market valuation of the aforementioned property. We have re-inspected the property on 10 October 2014, and completed a comprehensive valuation report dated 23 September 2014 as requested. This valuation summary has been prepared for inclusion into a Product Disclosure Statement (PDS) for Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT.

DTZ Australia (NSW) Pty Ltd (DTZ) consents to being named in the PDS and to the inclusion of the summary valuation within the PDS. As at the date of the PDS, this consent has not been withdrawn.

For further information reference should be made to the full copy of the valuation report dated 23 September 2014, report number 14/062 which is available for inspection at the offices of Centuria Property Funds Limited.

BRIEF DESCRIPTION

The subject property comprises a part 4 level commercial building situated on the lower north shore in Sydney at Artarmon approximately 9 kilometres north of the CBD. The building incorporates retail to the lower ground and offices and undercover parking to the upper levels. The Artarmon Masonic Club also occupy the building and are the freeholders of the land which is subject to a head lease expiring 21 March 2114.

The subject building is situated on a moderately sloping corner site opposite the train station towards the eastern fringe of the local retail strip. The immediate area mainly comprises two-storey retail/commercial properties with low and high rise residential buildings situated further afield. The subject appears to be the largest commercial building in this area.

The property is well located to transport being opposite Artarmon train station and approximately 700 metres east of the Warringah Freeway. The property forms part of the established and popular Artarmon retail strip with a variety of grocery and general retail facilities. Regional retail facilities are available at Chatswood approximately 1.2 kilometres to the North.

The property is fully leased to 13 tenants plus parking, telecommunications and signage. The WALE is 1.65 years by income as at the date of valuation.

Summary of Independent Property Valuations



INCOME SUMMARY

Income Category	Area (sqm) / Car Spaces	Passing Income		Market Income		Variance to Market	
		\$ pa	\$psm \$pcm	\$ pa	\$psm \$pcm	\$ pa	%
Office	2,069	\$516,862	\$250	\$517,728	\$250	(\$865)	-0.2%
Retail	270	\$133,327	\$493	\$137,346	\$508	(\$4,019)	-3.0%
Car Parking	66 cars	\$80,317	\$101	\$108,900	\$138	(\$28,583)	-35.6%
Telecommunications	2	\$63,205	\$31,603	\$63,205	\$31,603	\$0	0.0%
Storage	2	\$5,071	\$2,536	\$5,071	\$2,536	\$0	0.0%
Signage	1	\$3,631	\$3,631	\$3,631	\$3,631	\$0	0.0%
Outgoing Recoveries		\$243,841	\$104	\$231,171	\$99	\$12,670	5.2%
Total Gross Income		\$1,046,255	\$447	\$1,067,053	\$456	(\$20,798)	-2.0%
Less Total Outgoings		\$354,150	\$151	\$354,150	\$151		
Net Income		\$692,105	\$296	\$712,903	\$305	(\$20,798)	-3.0%
Gross Income on Vacant Areas		\$50,676					
Gross Income on New Leases		\$0					
Total Gross Income (Fully Leased)		\$1,096,931	\$469				
Net Income (Fully Leased)		\$742,781	\$318				

VALUATION SUMMARY

Valuation Date	23-Sep-14
Capitalisation Approach	\$7,300,000
Discounted Cash Flow Approach	\$7,400,000
Direct Comparison	\$7,400,000
Market Value	\$7,300,000
Weighted Average Lease Expiry (by Income)	1.65
Passing Initial Yield	9.48%
Equivalent Yield	9.00%
Internal Rate of Return (inc. Capex)	9.35%
Improved Value psm	\$3,121

VALUATION RATIONALE

In arriving at our valuations we have examined the available market evidence and applied this analysis to the Discounted Cash Flow approach, Capitalisation of Net Income approach and Direct Comparison approach.

MARKET COMMENTARY

Artarmon is considered a suburban office market and these markets operate individually and are strongly dependent upon the specific characteristics of each centre to influence demand. Apart from transport these factors include the quality of the commercial assets, mix of services in the centre and performance of the related sectors such as retailing within the precinct.



Generally the secondary suburban markets have performed steadily however showing a levelling of rentals after a slight fall in face rentals in the previous year. Incentives can range significantly in these markets and are generally considered to be in the range of 15%-30%. However on occasions incentive levels in the order of 15%-20% occur and at the other end of the scale 30%-35% incentives have been recorded.

Average rentals for these markets are outlined in the following table

Locality	Average Rental Range (\$psm)
Pymble	\$270-\$320
Lane Cove	\$220-\$300
Frenchs Forest	\$230-\$280
Belrose	\$250-\$290
Ashfield	\$250-\$325
Burwood	\$280-\$340
Hurstville	\$270-\$340
Bondi	\$350-\$450
Edgecliff	\$325-\$425

Average net rental range for good quality suburban office stock as at June 2014

The metropolitan investment market has remained subdued and has performed sporadically over the past two years. The general market fundamentals for the CBD and suburban office markets have typically been positive with limited new supplied additions, improving demand and declining vacancies. However these positive drivers have not translated to solid investment demand, particularly in secondary markets which are strongly dependent upon the specific characteristics of the individual property.

Investors that are active in the market are typically focusing their attention on core assets with low risk profiles or high yielding value-add opportunities. Whilst demand is reasonably strong for assets that meet this particular criteria, the depth of demand in many cases is limited and variable.

We consider average prime yields for quality commercial facilities with secure income streams in the prime metropolitan markets and suburban markets to be as follows:

CURRENT DRIVERS			FORECAST (6 - 9 MONTHS)	
		Prime Yields	Yields	Performance / Sentiment
Traditional Metro Markets	North Sydney	7.00% - 7.50%	↓	↑
	Crows Nest/St Leonards	7.50% - 8.00%	↓	→
	Chatswood	8.00% - 8.50%	→	→
	Macquarie Park	7.50% - 8.25%	↓	↑
	Parramatta	7.50% - 8.00%	↓	↑
Office Park Markets	Pymont	7.25% - 7.75%	↓	→
	Sydney Olympic Park	7.75% - 8.25%	↓	↑
	Rhodes	7.75% - 8.25%	↓	↑
	Norwest	8.25% - 8.75%	→	→
	South Sydney	7.75% - 8.25%	↓	↑

Prime metropolitan office markets average yields for well secured property as at June 2014

Summary of Independent Property Valuations



More recent sales of several non-core metropolitan assets demonstrate a potential expansion of investors' appetite and potential future activity in this sector appears to have improved over recent years. We consider investment activity should continue this trend in 2014 whilst investment returns should tighten gradually for prime stock however remain property specific for secondary stock.

There are limited vacancies for better quality office accommodation in Artarmon however the locality does compete with the surrounding markets of St Leonards, Chatswood and Crows Nest.

The suburban office leasing market is currently subdued however there is a lack of better quality multi-level accommodation in the precinct. Face rentals generally remain steady whilst incentives are more variable as tenants have more bargaining power and incentives are considered to be steady to slightly increased over the past 12 months. We see these patterns continuing in the short term.

In summary, the above factors point toward a market demonstrating a broader investment approach and capacity in comparison to the recent past however investor appetite is still considered to be primarily related to the qualities and potential of the specific asset rather than the sector as a whole. We consider these factors will continue to influence the market in 2014 unless a change to economic fundamentals occurs.

LIABILITY AND OTHER DISCLAIMERS

DTZ were involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the PDS other than in respect of the valuation and summary. DTZ is not licensed to provide financial product advice under the Corporations Act 2001. DTZ confirms it has been paid a fee of \$1,900 excluding GST by Centuria Property Funds Limited for this summary and valuation.

Neither the whole nor any part of this valuation report summary or any reference thereto may be included in any published documents, circular or statement or published in part or in full in any way without written approval of the form and context in which it may appear.

No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the property market subsequent to the date of valuation.

DTZ is not related to Centuria Property Funds Limited and is therefore independent of them. DTZ have no interest in the subject property and no personal interest with respect to the parties involved.

Neither the valuer nor DTZ has any pecuniary (or other) interest giving rise to a conflict of interest in valuing the property.

Yours sincerely

DTZ Australia (NSW) Pty Ltd

A handwritten signature in black ink, appearing to read "J. Waugh".

John Waugh FAPI
Certified Practising Valuer
National Head of Valuation Services

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The Directors
 Centuria Property Funds Limited
 Level 39, 100 Miller Street
 North Sydney NSW 2060

13 October 2014

Dear Sirs,

Re: 149 Kerry Road Archerfield, Qld

We refer to your instructions dated 16 August 2014 requesting DTZ to prepare a market valuation of the aforementioned property. We have inspected the property on 16 September 2014, and completed a comprehensive valuation report dated 23 September 2014 as requested. This valuation summary has been prepared for inclusion into a Product Disclosure Statement (PDS) for Centuria Property Funds Limited as Responsible Entity for Centuria Metropolitan REIT.

DTZ Australia (NSW) Pty Ltd (DTZ) consents to being named in the PDS and to the inclusion of the summary valuation within the PDS. As at the date of the PDS, this consent has not been withdrawn.

For further information reference should be made to the full copy of the valuation report dated 23 September 2014, report number 14/074 which is available for inspection at the offices of Centuria Property Funds Limited.

BRIEF DESCRIPTION

The subject property comprises land which is improved with a large manufacturing and storage facility with an adjoining single level office building, several demountable buildings, a workshop and large areas of hardstand and truck manoeuvring areas. The main facility was constructed in 1990/91 and remains in good condition.

The property is full leased to Bluescope Steel Limited for a remaining term of 10.30 years and is located in the centre of the Archerfield industrial precinct, approximately 13 radial kilometres south of the Brisbane CBD.

INCOME SUMMARY

Income Category	Area (sqm) / Car Spaces	Passing Income		Market Income		Variance to Market	
		\$ pa	\$psm \$pcm	\$ pa	\$psm \$pcm	\$ pa	%
Industrial	13,774	\$1,728,170	\$125	\$1,790,620	\$130	(\$62,450)	-3.6%
Telecommunications	1	\$12,360	\$12,360	\$12,360	\$12,360	\$0	0.0%
Car Parking	0 cars					\$0	
Outgoing Recoveries		\$137,740	\$10	\$137,740	\$10	\$0	0.0%
Total Gross Income		\$1,878,270	\$136	\$1,940,720	\$141	(\$62,450)	-3.3%
Less Total Outgoings		\$157,740	\$11	\$157,740	\$11		
Net Income		\$1,720,530	\$125	\$1,782,980	\$129	(\$62,450)	-3.6%
Gross Income on Vacant Areas		\$0					
Gross Income on New Leases		\$0					
Total Gross Income (Fully Leased)		\$1,878,270	\$136				
Net Income (Fully Leased)		\$1,720,530	\$125				

Summary of Independent Property Valuations



VALUATION SUMMARY

Valuation Date	23-Sep-14
Capitalisation Approach	\$21,900,000
Discounted Cash Flow Approach	\$22,500,000
Direct Comparison	\$22,000,000
Market Value	\$22,200,000
Weighted Average Lease Expiry (by Income)	10.30
Passing Initial Yield	7.75%
Equivalent Yield	7.91%
Internal Rate of Return (inc. Capex)	9.41%
Improved Value psm	\$1,612
Value psm improved site area	\$501

VALUATION RATIONALE

In arriving at our valuations we have examined the available market evidence and applied this analysis to the Discounted Cash Flow approach, Capitalisation of Net Income approach and Direct Comparison approach.

MARKET COMMENTARY

In the 12 months to June 2014 the Brisbane industrial market has seen good rental growth for prime grade product.

Demand is driven by investors attracted to the relatively high yields and relatively long leases in this property sector; in particular prime industrial.

Approximately 485,475 square metres of industrial accommodation was leased in the Brisbane area for the 12 months to June 2014 which was slightly down on the 12 months prior, 488,840 square metres.

Incentives have remained stable and generally tend to be within 10%-15% for well-located modern properties.

A summary of drivers relating to the leasing market is outlined as follows.

Current Drivers				Forecast 6-9 months		
		Prime Rents (\$/m ²)	Incentives (%)	Face Rents	Incentives	Performance/ Sentiment
TradeCoast	Prime	110-145	✓	10-15	↑	→
	Secondary	90-110	✓	12-15	→	↑
Southside	Prime	105-130	✓	10-15	↑	→
	Secondary	55-90	✓	12-15	↓	↑
Logan Motorway Corridor	Prime	100-125	✓	10-15	↑	→
	Secondary	70-95	✓	12-15	↓	↑
Northside	Prime	110-130	✓	10-15	↑	→
	Secondary	65-100	✓	12-15	↓	↑
Ipswich	Prime	90-110	✓	12-15	→	↑
	Secondary	50-85	✓	12-15	↓	↑

In relation to the investment market, sales of \$554 million (> \$2m) were recorded in the 12 months to 2014 up from \$489 million in 2013.

The majority of transactions were priced between \$2 million and \$10 million representing 78% of the market. Of these transactions 60% were purchased by private investors and a further 40% by owner occupiers.

A tightening of yields has now become apparent particularly for prime warehouses with good access to major arterial road networks.



A summary of drivers relating to the investment market is outlined as follows.

Current Drivers	Forecast 6-9 months		
	Prime Yields	Yields	Performance/Sentiment
TradeCoast	7.25-8.00	↓	↑
Southside	7.25-8.25	↓	↑
Logan Motorway Corridor	7.75-8.25	→	→
Northside	7.25-8.25	↓	↑
Ipswich	8.00-9.00	→	→

The benchmarks pointing to industrial activity forecast stronger trading conditions for the second half of 2014 however the generous supply of secondary grade warehousing has the potential for a more subdued rental growth in this sector.

Based upon the above we consider vacancy rates for prime space should remain low and some tightening of yields in this sector can be expected in the medium term throughout 2014.

LIABILITY AND OTHER DISCLAIMERS

DTZ were involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the PDS other than in respect of the valuation and summary. DTZ is not licensed to provide financial product advice under the Corporations Act 2001. DTZ confirms it has been paid a fee of \$9,500 excluding GST by Centuria Property Funds Limited for this summary and valuation.

Neither the whole nor any part of this valuation report summary or any reference thereto may be included in any published documents, circular or statement, or published in part or in full in any way without written approval of the form and context in which it may appear.

No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the property market subsequent to the date of valuation.

DTZ is not related to Centuria Property Funds Limited and is therefore independent of them. DTZ have no interest in the subject property and no personal interest with respect to the parties involved.

Neither the valuer nor DTZ has any pecuniary (or other) interest giving rise to a conflict of interest in valuing the property.

Yours sincerely

DTZ Australia (NSW) Pty Ltd

John Waugh FAPI
Certified Practising Valuer
National Head of Valuation Services

Summary of Independent Property Valuations

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14 October 2014

The Directors

Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
Suite 39.01, Level 39,
100 Miller St
North Sydney NSW 2060

Via E-mail: victor.georos@centuria.com.au

Dear Directors,

**RE: Valuation as at 23 September 2014
14 Mars Road, Lane Cove West, NSW ('The Property')**

We refer to recent instructions issued by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT requesting Colliers International Valuation & Advisory Services (CIVAS (NSW) Pty Limited ('CIVAS')) to assess the Market Value of 14 Mars Road, Lane Cove West, New South Wales ('The Property') for Financial Reporting and Registered First Mortgage Security purposes.

Further to these instructions we have also been instructed to provide a summary of the valuation report for inclusion in a Product Disclosure Statement (PDS) issued by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT.

This summary outlines the key considerations adopted in arriving at our opinion of Market Value. For further information, reference should be made to the full valuation report (Our Ref: N3094) as at 30 June 2014 in addition to our update valuation report (Our Ref: N3143) as at 23 September 2014, held by Centuria Property Funds Limited.

Basis of Valuation

The valuation has been completed in accordance with the following definition of Market Value as defined by the International Valuation Standards Committee (IVSC), endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law:

"Market Value is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."



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CIVAS (NSW) Pty Limited | ABN 32 168 282 728

Liability limited by a scheme approved under Professional Standards Legislation

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
14 Mars Road, Lane Cove West, NSW



Summary of Value

We have assessed the Market Value of the freehold interest in the Property as at 23 September 2014 to be the sum of \$18,500,000 (excluding GST), subject to the qualifications and assumptions contained within our formal valuation reports.

Brief Description of Property

The subject property comprises a two level office and warehouse building extending to a Gross Lettable Area (GLA) of 10,600.60 square metres, with extensive rooftop and undercover car parking for 242 vehicles.

The building was originally separated into five attached units that have since been reconfigured into a single tenancy. The building was constructed in the mid 1970's and last refurbished in 2004, with work completed to the facade, new reception/foyer, atrium, installation of a lift and additional secure car parking. Minor upgrades were also completed in 2010 to Unit 1.

As at the date of valuation (23 September 2014) the subject property was fully leased to Cochlear Limited on an 8.50 year lease which commenced 1 July 2013. No further option period applies. As such, the unexpired lease term as at the date of valuation reflects 7.27 years.

The subject property is located on the southern alignment of Mars Road, on a rectangular shaped allotment extending to 9,883 square metres.

The property is located within the Lane Cove West Industrial Estate and enjoys a prominent position on Mars Road. It is located approximately eight kilometres northwest of the North Sydney Central Business District (CBD) and 12 kilometres northwest of the Sydney CBD.

Rental Profile

As at the date of valuation, the subject property is fully leased to a single tenant, Cochlear Limited.

The current passing rental equates to \$1,889,954 per annum net (fully leased). The current passing net income (on a fully leased basis) is above our estimated net market income of \$1,643,093 per annum (+13.06%).

Adopted outgoings reflect \$418,225 per annum for the 2014/15 Financial Year, reflecting \$39.45 per m². We note our adopted outgoings budget differs from the Outgoings Schedule provided, in that we have made additional allowances for various items of expenditure. Refer to our full report for further details.

The WALE of 7.27 years (by Area and Income) is considered strong for a suburban office/industrial asset. We note the tenant also occupies a separate facility in Macquarie Park and whilst it is possible they may vacate the subject property post lease expiry in December 2021, we consider a prudent purchaser would be attracted to the relatively strong unexpired lease term regardless of the future vacancy risk given the attractive lease covenant that Cochlear Limited affords.

However, given the uncertainty surrounding the tenant's longer term occupancy position, we have adopted a more conservative retention rate of 20% within our valuation calculations. Refer to Section 12.3 of our most recent valuation report for further detail in this regard.

Summary of Independent Property Valuations

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
14 Mars Road, Lane Cove West, NSW



As at the date of our assessment, Outstanding Incentives equivalent to \$306,255 on a Present Value basis have been included within our assessment of Market Value.

Valuation Methodology

In determining the Market Value of the Property, CIVAS has examined the available market evidence and applied this analysis to the Capitalisation of Net Income and Discounted Cash Flow (DCF) Approaches. These approaches have in turn been checked by the Direct Comparison Approach on the basis of sales analysed as a rate per square metre of GLA.

The Capitalisation of Net Income Approach has been undertaken by applying a yield to both the potential fully let passing net income (initial yield) and the potential reversionary net income (equated reversionary yield). To the value derived, adjustments have been made for any rental reversions, vacancies, leasing costs and capital expenditure required over the first two (2) years.

The DCF has been undertaken over a 10-year time horizon discounting the net income over this period on a monthly basis together with the value of the property, net of selling expenses, in the 121st month. The net present value has been determined after allowing for capital expenditure and costs associated with the purchase of the property. Our valuation has been undertaken on a GST exclusive basis.

Valuation Analysis and Assumptions

The following criteria have been adopted:

- (i) We have capitalised the net passing income at 10.00% in line with the available market evidence. We have also considered the reversionary approach, whereby the net market income has been capitalised at a market yield of 9.25% with cognisance of available market evidence;
- (ii) A DCF analysis over a 10-year investment horizon has been undertaken, based upon a discount rate of 9.25%, average net face rental growth over the cash flow term of 3.03% per annum, and an adopted terminal yield of 9.50%;
- (iii) Outgoings have been adopted at \$418,225 per annum for the 2014/15 Financial Year, reflecting \$39.45 per m², which we consider to be appropriate for this style of property having regard to the age of the improvements, their existing condition and suburban Sydney location;
- (iv) We note the existing lease to Cochlear Limited has a limited make good provision. We have therefore made additional allowances within our valuation calculations at lease expiry (December 2021) to allow for the potential shortfall to the Lessor, whilst also making an allowance for an upgrade of the existing improvements having regard to their age at this point in time;
- (v) Based upon our adopted value of \$18,500,000 the subject Property reflects an initial passing yield of 10.22%; an equivalent initial yield of 9.97%; an equivalent reversionary yield of 9.31%, an IRR of 9.31% (including capital expenditure), 10.82% (excluding capital expenditure) and a capital value of \$1,745 per m² of NLA. These parameters are considered reasonable given the inherent features of the asset, the available and comparable sales evidence and the current market dynamics.

Sale History

Our research reveals the subject property has not traded within the last five years.

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
14 Mars Road, Lane Cove West, NSW



Market Commentary

The most recent Industrial market commentary along with the most relevant recent sales and leasing evidence is summarised in the full valuation report (Our Ref: N3094) as at 30 June 2014 and in the update valuation report (Our Ref: N3143) dated 23 September 2014 held by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT.

Material Assumptions

Material assumptions are contained within the full valuation report (Our Ref: N3094) as at 30 June 2014 and in the update valuation report (Our Ref: N3143) dated 23 September 2014 held by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT.

Qualification and Warning

CIVAS has been engaged by Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT to provide a valuation of 14 Mars Road, Lane Cove West, New South Wales.

Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT wish to include the Report in the PDS and have requested that CIVAS consent to the inclusion of this Report.

CIVAS consents to the inclusion of this Report in the PDS and to being named in the PDS, subject to the comments, terms and assumptions contained within our full valuation report, valuation update report and this summary letter, and the further condition that Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT include this Qualification and Warning:

- (i) This Report has been prepared for Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT and for the specific purposes outlined within the full valuation report and update valuation report and cannot be relied upon by third parties;
- (ii) This Report is a summary of the valuation of the subject property identified as 14 Mars Road, Lane Cove West, New South Wales as at 23 September 2014 and has not been prepared for the purpose of assessing the Property as an investment opportunity;
- (iii) CIVAS has not been involved in the preparation of the PDS nor has the Report had regard to the other material contained in the PDS. The Report and its content do not take into account any matters concerning the investment opportunity contained in the PDS;
- (iv) CIVAS makes no representation or recommendation to a Recipient in relation to the valuation of the property or the investment opportunity contained in the Report;
- (v) Recipients must seek their own advice in relation to the investment opportunity contained in the PDS; and

Summary of Independent Property Valuations

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
14 Mars Road, Lane Cove West, NSW



(vi) The events of early 2008 including the initial sub-prime fallout in the United States and subsequent Global Financial Crisis (GFC) created uncertain times for both the equities and property markets in Australia which softened considerably during this period. This change in markets impacted to varying degrees upon a variety of participants. Whilst a degree of uncertainty still remains within these markets, the magnitude would appear to be less than that evident throughout 2008 and the majority of 2009. Improving levels of investor confidence and general market activity within Australian property markets were evidenced throughout 2010 and until early to mid-2011. Since this time the concerns regarding European sovereign debt crises re-introduced a layer of general market conservatism into domestic markets, somewhat setting back the momentum that appeared to be gaining throughout late 2010 and early 2011. We note that investment returns for good quality assets with secure cash flows generally stabilised over 2010, with a degree of yield compression evident for certain assets. We have seen this trend continue to date, although reinforce that healthy levels of demand are only evident for quality stock. In contrast, we note poorer quality assets and particularly those with considerable existing vacancy and / or short term major tenant expiry continue to be priced by the shallower market on an opportunistic basis, and thereby remain at risk of a prolonged period of softer investment fundamentals.

We draw your attention to the fact that the Market Value adopted herein is subject to the issues outlined above, and should be closely monitored in light of future events. Furthermore, it is our strong recommendation that regular valuation updates be initiated and instructed by Centuria Property Funds Limited, as Responsible Entity.

CIVAS has prepared this Report on the basis of, and limited to, the financial and other information (including market information and third party information) referred to in the Report and contained in the full valuation and update valuation reports. We have assumed that the third party information is accurate, reliable and complete and confirm that we have not tested the information in that respect.

Liability Disclaimer

In the case of advice provided in this letter and our report which is of a projected nature, we must emphasise that specific assumptions have been made by us which appear realistic based upon current market perceptions. It follows that any one of our associated assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted by us in this event.

This report has been prepared subject to the conditions referred to in our Qualification & Warning. Neither CIVAS nor any of its Directors makes any representation in relation to the PDS nor accepts responsibility for any information or representation made in the PDS, apart from this letter.

CIVAS has prepared this summary which appears in the PDS. CIVAS was involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaims any liability to any person in the event of any omission from, or false or misleading statement included in the PDS, other than in respect of the valuation and this summary. We confirm that this summary may be used in this PDS.

Century Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT
14 Mars Road, Lane Cove West, NSW



The valuation is current as at the date of the valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements or factors specific to the particular property. We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

CIVAS confirms that it does not have a pecuniary interest that would conflict with its valuation of the property.

CIVAS is not providing advice about a financial product, nor the suitability of the investment set out in the PDS. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Colliers International does not, nor does the Valuer, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the properties detailed in this report.

Valuers Experience and Interest

The Valuers, Cassandra Mortimer AAPI and Anthony Mylott FAPI, have had in excess of five (5) years continuous experience in the valuation of property of similar type and are authorised by law to practise as Valuers in New South Wales. We advise that CIVAS has received a market based fee for the preparation of the valuation report and this summary letter. Further, we confirm that the nominated Valuers do not have a pecuniary interest that could conflict with the proper valuation of the property, and we advise that this position will be maintained until the purpose for which this valuation is being obtained is completed.

Yours sincerely,

CIVAS (NSW) Pty Limited

A handwritten signature in blue ink, appearing to read "D. Hillier", written over a light blue circular stamp.

Dwight Hillier FAPI, MRICS

Managing Director | Valuation & Advisory Services

Summary of Independent Property Valuations

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The Directors
Centuria Property Funds Limited
Level 23, 111 Pacific Highway
North Sydney NSW 2060

13 October 2014

Dear Sirs,

Re: 13 Ferndell Street, South Granville, NSW

We refer to your instructions dated 16 August 2014 requesting DTZ to prepare a market valuation of the aforementioned property. We have inspected the property on 6 August 2014, and completed a comprehensive valuation report dated 23 September 2014 as requested. This valuation summary has been prepared for inclusion into a Product Disclosure Statement (PDS) for Centuria Property Funds Limited as Responsible Entity for the Centuria Metropolitan REIT.

DTZ Australia (NSW) Pty Ltd (DTZ) consents to being named in the PDS and to the inclusion of the summary valuation within the PDS. As at the date of the PDS, this consent has not been withdrawn.

For further information reference should be made to the full copy of the valuation report dated 23 September 2014, report number 14/076 which is available for inspection at the offices of Centuria Property Funds Limited.

BRIEF DESCRIPTION

The subject property comprises an industrial warehouse with offices totalling 15,283 square metres of lettable area. The warehouse has a clearance of approximately 9.00 to 11.5 metres and 6.50 metres to the gantry cranes plus at grade loading docks. The amenities and staff building is attached to the warehouse via an undercover walkway which also connects the offices. The offices are part standalone single storey and part two-storey attached to the warehouse. The remainder of the land is hardstand with parking and drive-around truck access.

South Granville comprises a relatively small industrial pocket with medium to large size industrial properties situated on both sides of Ferndell Street. The location provides good access to Woodville Road and Hume Highway. The surrounding area is pre-dominantly residential. Other, larger industrial estates in the region are at Regents Park, Wetherill Park and Villawood.

South Granville comprises a mixture of medium sized traditional industrial factories in association with some larger manufacturing and warehousing assets. The precinct is surrounded by residential development which primarily restricts any significant expansion and as a result is a secondary but well located industrial precinct.

The property is fully leased to 1 tenant. The WALE is relatively long at 5.56 years by income as at the date of valuation.



INCOME SUMMARY

Income Category	Area (sqm) / Car Spaces	Passing Income		Market Income		Variance to Market	
		\$ pa	\$psm \$pcm	\$ pa	\$psm \$pcm	\$ pa	%
Industrial	15,283	\$1,345,500	\$88	\$1,375,470	\$90	(\$29,970)	-2.2%
Outgoing Recoveries		\$232,678	\$15	\$232,678	\$15	\$0	0.0%
Total Gross Income		\$1,578,178	\$103	\$1,608,148	\$105	(\$29,970)	-1.9%
Less Total Outgoings		\$232,678	\$15	\$232,678	\$15		
Net Income		\$1,345,500	\$88	\$1,375,470	\$90	(\$29,970)	-2.2%
Gross Income on Vacant Areas		\$0					
Gross Income on New Leases		\$0					
Total Gross Income (Fully Leased)		\$1,578,178	\$103				
Net Income (Fully Leased)		\$1,345,500	\$88				

VALUATION SUMMARY

Valuation Date	23-Sep-14
Capitalisation Approach	\$16,500,000
Discounted Cash Flow Approach	\$16,400,000
Direct Comparison	\$16,400,000
Market Value	\$16,400,000
Weighted Average Lease Expiry (by Income)	5.56
Passing Initial Yield	8.20%
Equivalent Yield	8.30%
Internal Rate of Return (inc. Capex)	9.79%
Improved Value psm	\$1,073
Value psm improved site area	\$613

VALUATION RATIONALE

In arriving at our valuations we have examined the available market evidence and applied this analysis to the Discounted Cash Flow approach, Capitalisation of Net Income approach and Direct Comparison approach.

MARKET COMMENTARY

In the first half of 2014 the Sydney industrial market has performed relatively well with a substantial increase in sales volumes compared to 12 months ago. Warehousing and logistics are the main drivers of space requirements and this has also translated to investment demand for these properties particularly with longer term lease profiles.

Supply of well leased prime industrial properties is increasingly scarce and is limiting investment activity with secondary assets now also enjoying improved demand. Occupier demand is equally strong as investment demand however appears to be focussed on prime industrial.

A lack of development particularly in outer western and south western locales has seen a lack of quality stock, and subsequently demand for pre-commitment rentals is improving.

Summary of Independent Property Valuations



Into 2014 the rental market appears steady with limited growth anticipated in the short to medium term. More speculative supply primarily by Institutions, has relieved some pent up demand from the lack of speculative development over recent years.

Pre-commitment rentals are demonstrating increases over existing stock and are aligned to the economic rental required for development to proceed. The lack of new developments over the past three years has left tenants with more limited options. Incentives have remained stable and generally tend to be within 10%-15% for well-located modern properties.

A summary of drivers relating to the leasing market is outlined as follows.

Current Drivers				Forecast 6-9 months		
		Prime Rents (\$/m ²)	Incentives (%)	Face Rents	Incentives	Performance/ Sentiment
Inner West	Prime	120-140	10-12	↑	↑	↑
	Secondary	95-115	12-15	→	→	↑
Central West	Prime	110-140	10-12	↑	↓	↑
	Secondary	90-105	10-15	→	→	↑
Outer West	Prime	100-115	10-12	↑	↓	↑
	Secondary	85-95	12-15	→	→	→
North	Prime	140-160	10-12	↑	→	→
	Secondary	120-140	12-15	→	→	→
North West	Prime	105-120	12-15	↑	→	→
	Secondary	85-105	12-15	→	→	→
Inner South	Prime	125-160	8-10	↑	→	↑
	Secondary	100-120	10-12	→	→	↑
South West	Prime	90-115	10-15	→	→	→
	Secondary	75-95	10-15	→	→	→

Average drivers for industrial properties 1,000m² - 5,000m²

As at August 2014

Leasing demand in South Granville is considered to be steady however it faces competition from the larger surrounding precincts which are slightly better located to motorway access. Vacancy is generally limited due to the smaller nature of the precinct however again the larger precincts tend to generally attract higher interest.

At the larger end of the market there appears to be strong interest in new warehousing and distribution properties with longer term leases. For those properties with a relatively short weighted lease duration the sentiment and activity is improving and these properties are also transacting. However, investment parameters have not tightened to the same degree as prime well secured properties.

At the medium and smaller end, the performance of the market is strongly aligned to the attributes of the locality and inherent features of the property. Activity in this sector has also improved, often being led by owner occupiers.

Foreign investors have increased their interest and holdings in the industrial sector either via direct investment of JV partnership with local operators. The Self-Managed Super Funds (SMSF) sector has created more interest at the small to medium end and we consider this pattern will continue.

Secondary property remains far more volatile and strongly dependent upon the specific characteristics of the individual property. Properties in fringe locations or incorporating lower functionality continue to experience variable demand and prices. These properties also often have short or poor cash flow streams which also impacts upon demand and financing ability. Long term leases to quality tenants are demonstrating the most demand and consistent sale parameters.



Whilst the market is considered to have improved, purchasers remain cautious and appear to more thoroughly investigate due diligence aspects as part of a transaction. The ability to gain finance and the requirements of financiers still appears to significantly influence the investment market.

Indicative yields and our forecast for the next six to nine months are shown below.

Current Drivers	Forecast 6-9 months		
	Prime Yields	Yields	Performance/Sentiment
Inner West	7.50-8.00	→	↑
Central West	7.50-8.25	→	↑
Outer West	7.75-8.25	→	→
North	8.00-8.75	→	→
North West	8.25-8.75	→	→
Inner South	7.50-8.00	↓	↑
South West	7-7.5-8.75	→	→
Outer South West	8.25-9.00	→	→

Investment market drivers for modern industrial premises subject to 5 – 7 year WALEs
As at August 2014

The Sydney industrial investment sector had its best year in 2013 for some time. However effective rental growth is likely to be non-material with incentives expected to remain stable. Longer term secure income profiles still appear to be the main purchaser appetite.

A lack of supply of prime, well leased industrial properties and ongoing strong demand may likely lead to a high concentration of secondary asset sales in the next 12 months. Properties with short term or volatile cash flows are displaying variable interest however core locations tend to attain some purchaser interest.

Investment demand in South Granville is property specific particularly due to the secondary nature of the precinct. Larger properties with secure income streams are considered to have steady demand however smaller established factories and warehouses can face varying demand due to the higher profile surrounding precincts.

In summary, the above factors point toward a market demonstrating a broader investment approach and capacity in comparison to the recent past however investor appetite is still considered to be primarily related the qualities and potential of the specific asset rather than the sector as a whole. We consider these factors will continue to influence the market in 2014 unless a change to economic fundamentals occurs.

Summary of Independent Property Valuations



LIABILITY AND OTHER DISCLAIMERS

DTZ were involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the PDS other than in respect of the valuation and summary. DTZ is not licensed to provide financial product advice under the Corporations Act 2001. DTZ confirms it has been paid a fee of \$9,000 excluding GST by Centuria Property Funds Limited for this summary and valuation.

Neither the whole nor any part of this valuation report summary or any reference thereto may be included in any published documents, circular or statement or published in part or in full in any way without written approval of the form and context in which it may appear.

No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the property market subsequent to the date of valuation.

DTZ is not related to Centuria Property Funds Limited and is therefore independent of them. DTZ have no interest in the subject property and no personal interest with respect to the parties involved.

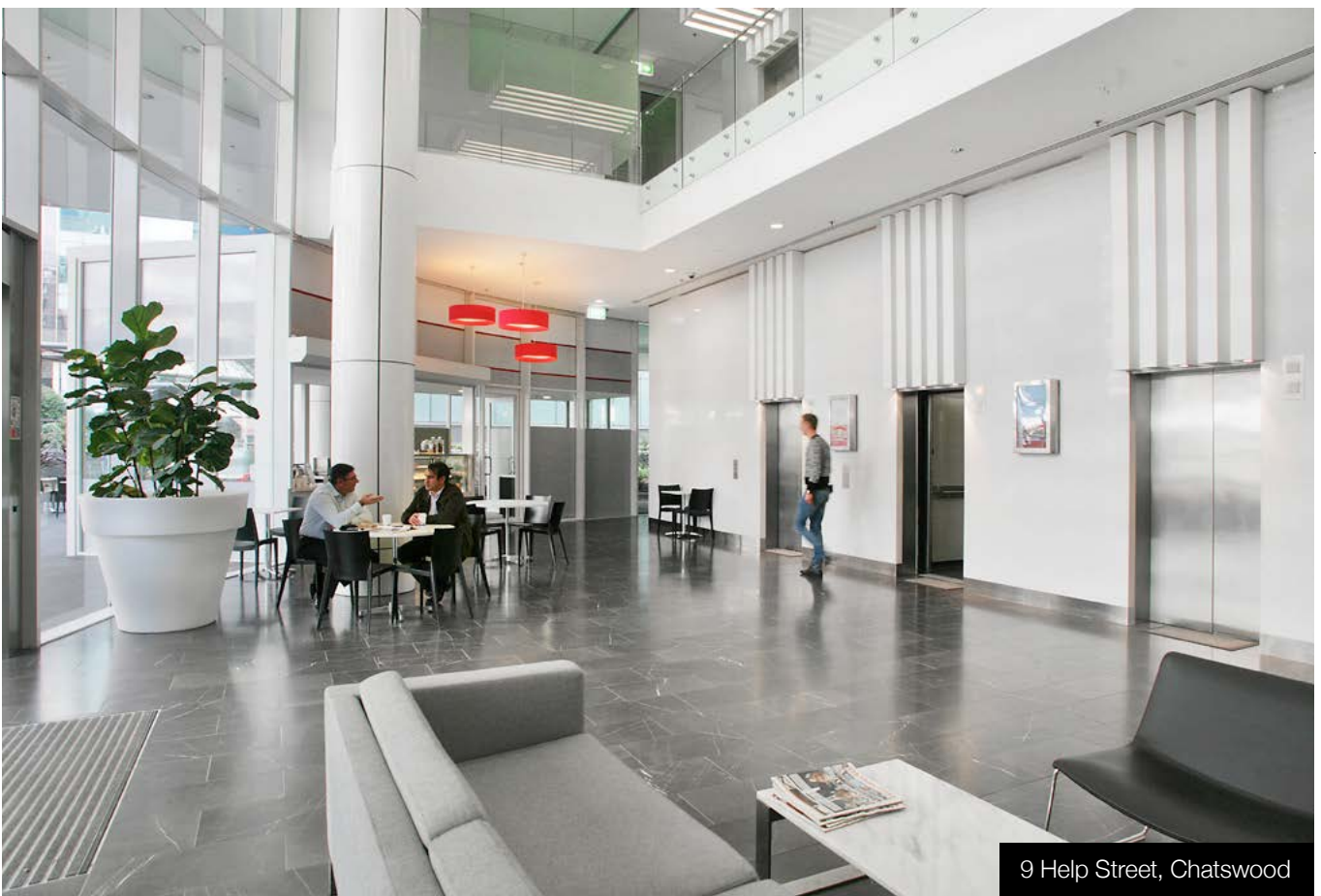
Neither the valuer nor DTZ has any pecuniary (or other) interest giving rise to a conflict of interest in valuing the property.

Yours sincerely

DTZ Australia (NSW) Pty Ltd

A handwritten signature in black ink, appearing to read "J. Waugh", written in a cursive style.

John Waugh FAPI
Certified Practising Valuer
National Head of Valuation Services



9 Help Street, Chatswood



1 Richmond Road, Keswick

Risks

An investment in the Fund is subject to risks, both specific to the Fund and more general risks. Many of these risks are beyond the control of CPFL and if they were to eventuate, may adversely affect the future performance of, or value of an investment in, the Fund. This section identifies a number of relevant and key risks associated with an investment in the Fund however it is not intended to be exhaustive.

Before deciding whether to invest in the Fund, prospective investors should carefully consider the risks outlined below together with the other information provided in this PDS. Prospective investors should have regard to their own investment objectives, financial situation and needs and seek professional advice before deciding whether to invest in the Fund.

9.1 Risks specific to an investment in the Fund

9.1.1 Rental income

Distributions made by the Fund will be largely dependent on the rents received from tenants across the Portfolio and expenses incurred during operations, which may be affected by a number of factors, including:

- overall economic conditions;
- the financial condition of tenants (including tenant arrears or default);
- ability to extend leases or replace outgoing tenants with new tenants;
- increase in rental arrears and vacancy periods;
- reliance on a tenant which leases a material portion of the Portfolio;
- an increase in unrecoverable outgoings; and
- supply and demand in the property market.

Any negative impact on rental income has the potential to decrease the value of the Fund and consequently have an adverse impact on Distributions or the value of Stapled Securities or both.

9.1.2 Tenant concentration

Some of the properties in the Portfolio are single tenanted, exposing the performance and value of each of those properties to the ability of those tenants to continue to meet their obligations under the respective leases. In aggregate, approximately 50% of gross income is generated from five tenants. Of the eight properties in the Portfolio, three of these

properties have a single tenant two of which are leased to the same group (BlueScope). There is a risk that if one or more of the major tenants ceases to be a tenant, the Fund may not be able to find replacement tenants on lease terms that are at least as favourable as current terms. Should replacement tenants lease the property on less favourable terms this will result in a lower rental return to the Fund and the overall performance of the Fund will be impacted.

The ability of CPFL to secure lease renewals or to obtain replacement tenants may also be influenced by any leasing incentives granted to prospective tenants and the supply of new industrial properties in the market, which, in turn, may increase the time required to let vacant space.

The forecasts included in this PDS assume all existing leases are performed in accordance with their terms. Failure to do so may cause the Fund's Distributions and the value of its assets to be materially less than those assumed in the forecasts in this PDS.

9.1.3 Re-leasing and vacancy

There is a risk that expiring leases may not be renewed in accordance with the Fund's assumptions in relation to let-up periods and rents (refer to Section 6.6.2). This may result in a reduction in the Fund's profits and Distributions and a decline in the value of the assets of the Fund.

9.1.4 Property market valuations

The ongoing value of the properties held by the Fund may fluctuate due to a number of factors. Those relevant to determining value include rental, occupancy levels and Capitalisation Rates all of which may change for a variety of reasons including those set out above in respect of these particular risks. In addition, the value of property is influenced by general property market conditions including supply and

demand. Valuations represent only the analysis and opinion of qualified experts at a certain point in time. There is no guarantee that a property will achieve a capital gain on its sale or that the value of the property will not fall as a result of the assumptions on which the relevant valuations are based proving to be incorrect.

9.1.5 Property liquidity

Property assets are by their nature illiquid investments. The Fund may not be able to realise the assets within a short period of time or may not be able to realise assets at valuation. This may affect the Fund's NTA or Stapled Security price.

9.1.6 Capital expenditure

The forecast capital expenditure represents CPFL's current best estimate of the associated costs in maintaining the Portfolio. There is a risk that the required capital expenditure exceeds the current forecasts which could lead to increased funding costs and impact Distributions. In addition, any requirement for unforeseen material capital expenditure on the properties could impact performance of the Fund.

9.1.7 Asset risk

Any property in the Portfolio may be damaged or destroyed by flood, fire, earthquake or other disaster. Whilst CPFL will insure the properties in the Portfolio against such risks, insurance coverage may prove to be insufficient or not available in some circumstances.

9.1.8 Completion risk

The Custodian has entered into contracts in respect of the acquisition of the New Properties subject to the listing of the Fund on the ASX. See section 13.6 for information on these agreements. Failure of a third party to comply with the contracts could result in a delay in, or failure to complete, the acquisition of the New Properties.

9.1.9 Leasehold interest risk

The Fund has a leasehold interest in the property at 44 Hampden Road, Artarmon. See section 13.7 for information on the lease. In certain circumstances, including where a breach of the lease by the tenant remains unremedied for more than 30 days after receipt by the tenant of written notice of such failure from the landlord, the landlord may require the tenant to sell and assign the lease at the best price obtainable. Where no valid contract has been entered into after 6 months of the sale notice from the landlord, the landlord may terminate the lease if it is not sold and assigned at auction. In either case, the landlord would be entitled to payment of loss, damages and expenses arising from the default. The risk associated with the termination of the lease is mitigated by the tenant's statutory right to seek relief against the forfeiture of its interest in the property in the event of termination of the lease. The Fund may also, in the future, purchase other assets from third parties under lease arrangements. There is no guarantee any such leases would be able to be renewed or renewed on suitable terms.

9.1.10 Reliance on third parties

CPFL may engage third party service providers in respect of a part or the whole of the property portfolio, being Centuria Property Services or third parties outside the Centuria Group. These services will be subject to contractual arrangements between CPFL and the relevant third parties. See sections 13.1 and 13.2 for information in relation to contractual arrangements between CPFL and Centuria Property Services.

Failure of a third party to discharge its responsibilities as agreed may adversely affect the management and financial performance of the Fund and therefore returns to Investors.

9.1.11 Conflicts

CPFL has engaged Centuria Property Services, a wholly owned subsidiary, to provide property management, development management and facilities management services in respect of various properties in the Fund. See sections 12.2, 13.1 and 13.2 for further information. CPFL and Centuria Property Services also have a common director. This may give rise to conflicts of interest. Related party transactions also carry a risk that they could be assessed and monitored less rigorously than transactions with unrelated third parties. CPFL has sought to mitigate these risks by having in place a conflicts of interest and related party policy that governs the way CPFL manages such conflicts or transactions. See section 14.1.6 for more information in relation to this policy.

9.1.12 Funding

CPFL may fund future refinancing, capital expenditure and acquisitions from either debt or equity markets. Its ability to do so on favourable terms (including fees and interest rate margin payable) will depend on a number of factors including general economic conditions, the state of debt and equity markets, as well as on the reputation, performance and financial strength of the Fund. Changes to any of these underlying factors could lead to an increase in the cost of funding, limit the availability of funding, as well as increasing the Fund's refinancing risk for maturing debt facilities. A lack of funding on favourable terms could adversely affect the Fund's ability to acquire new properties and to fund capital expenditure.

9.1.13 Gearing

As part of the overall capital structure, the Fund has a credit and pricing approved terms sheet from National Australia Bank Limited in respect of the Debt Facility, details of which are set out in Section 13.4 of this PDS. The Fund will have Gearing of 25% at Allotment.

The Fund intends to utilise debt in the future where appropriate, including as a source of funding for future acquisitions. The Fund's Gearing is targeted to be 25% to 35%. The level of Gearing exposures the Fund to movements in interest rates and increases the Fund's exposure to movements in the value of the Portfolio. If the Fund's Gearing during the Forecast Period differs from that assumed in the forecast in this PDS, then Distributions may also differ from

9.1 Risks specific to an investment in the Fund (continued)

9.1.13 Gearing (continued)

the forecasts in this PDS. Higher Gearing over the term of the Debt Facility may also give rise to refinancing risk as the facility approaches expiration.

9.1.14 Breach of covenants

As described in Section 13.4, CPFL intends to enter into the Debt Facility. Based on the Pro forma Balance Sheet set out in Section 6.4, the Fund will be in compliance with all covenants of the Debt Facility at the date of this PDS. However a decline in rental income or the value of the Portfolio may cause the Fund to breach covenants under the Debt Facility.

A breach of debt facilities may result in the debt financier enforcing its security over the relevant assets of the Portfolio. The financier may enforce repayment of the facility, which could result in early sale of a property or properties in the Portfolio at a price less than the optimal sale price, additional equity being required or Distributions being reduced or suspended to accelerate pay down of the debt facility.

9.1.15 Refinancing

The Fund's ability to refinance or repay its debt facilities as they fall due will be impacted by market conditions, the financial status of the Fund and prevailing economic conditions, including interest rates, at the time of maturity or refinancing. There is a risk that the Fund may be unable to repay or refinance the Debt Facility upon maturity, resulting in the Fund having to raise further equity, dispose of assets for a lower market value than could otherwise have been realised, or enter into new debt facilities on less favourable terms. Also see Section 9.1.14 in relation to breaches of covenants.

9.1.16 Interest rates

Interest payable on the Debt Facility will depend on the interest rate which is comprised of a base interest rate plus interest rate margin. In order to reduce exposure to the impact of moving interest rate, on or after the Allotment, CPFL intends to enter into interest rate swaps in respect of approximately 80% of drawn amount of the Debt Facility as at Allotment. CPFL will target interest rate hedging of between 50% and 100% of drawn debt.

9.1.17 Derivatives

CPFL will use derivative instruments to hedge the Fund's exposure to interest rates. The mark-to-market valuation of derivative instruments could change quickly and significantly. Such movements may have an adverse effect on the financial performance and financial position of the Fund.

9.1.18 Sector concentration

The Fund is invested in office or industrial properties in Australian metropolitan markets. As a result of this exposure,

the Fund's performance depends, in part, upon the performance of the Australian office or industrial metropolitan property markets themselves. In addition, if any of the sub-markets in Sydney, Brisbane or Adelaide experiences a downturn in activity, the Fund's performance may be adversely impacted.

9.1.19 Reliance on Centuria

The Fund will be reliant on the management expertise, experience, support and strategies of the key executives of Centuria. As a result, the Fund's performance depends largely on the performance of those executives. As a consequence, loss of key personnel at Centuria could have an adverse impact on the management and performance of the Fund and therefore returns to Investors.

9.1.20 Environmental issues

Unforeseen environmental issues may affect any of the properties in the Portfolio. These issues may be imposed irrespective of whether or not the Fund is responsible for circumstances to which they relate. The Fund may also be required to remediate sites affected by environmental liabilities.

The cost of remediation of sites could be substantial. In addition, if the Fund is not able to remediate the site properly, this may adversely affect its ability to sell the relevant property or to use it as collateral for future borrowings. Material expenditure may also be required to comply with new or more stringent environmental laws or regulations introduced in the future, for example in relation to climate change.

9.1.21 Insurance

CPFL will ensure that insurance coverage is maintained in respect of each property within the Portfolio (including insurance for destruction or damage to the property and public risk liability) where that coverage is available on commercial terms. Insurance coverage will include differing levels of cover for material loss or damage items such as accidental damage, flood and demolition and removal of debris. Some risks are not able to be insured at acceptable premiums. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as earthquake or hurricane.

Any losses incurred due to uninsured risks, or loss in excess of the insured amounts, may adversely affect the performance of the Fund, and could lead to a loss of some of the capital invested by the Fund. Increases in insurance premiums may affect the performance of the Fund. Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect the Fund's right of recovery under its insurance.

9.1.22 Insolvency

In the event of any liquidation or winding up of the Fund the claims of the Fund's creditors will rank ahead of those of its Investors. Under such circumstances the Fund will first repay or discharge all claims of its creditors. Any surplus assets

will then be distributed to the Fund's Investors. All Investors will rank equally in their claim and will be entitled to an equal share per Stapled Security.

9.1.23 Development

Speculative development will not be undertaken within the Fund. However, in certain circumstances, the Fund may be exposed to development risk, resulting from the refurbishment of properties or additions and extensions to properties.

Property development carries a number of risks, including:

- issues surrounding planning and authority approvals, which can result in delays or require amendments both of which may result in increased costs, time delays and impact the commercial viability of the development;
- delivery and contractual issues with building contractors; and
- unforeseen circumstances which cause project delays or increases to project costs.

A number of factors affect the earnings, cash flows and valuations of commercial property developments, including project costs, scheduled completion dates and securing tenants at estimated rental income.

Occupational health and safety

There is a risk that liability arising from occupational health and safety matters at a property in the Portfolio may be attributable to CPFL as the landlord instead of, or as well as, the tenant. To the extent that any liabilities may be incurred by the Fund, this may impact upon the financial position and performance of the Fund (to the extent not covered by insurance). In addition, penalties may be imposed upon CPFL which may have an adverse impact on the Fund and/or CPFL.

Dilution

Investors may have their investment in the Fund diluted by future capital raisings by CPFL on behalf of the Fund. CPFL may issue new Stapled Securities to finance future acquisitions or pay down debt which may, under certain circumstances, dilute the value of an Investor's interest. CPFL will only raise equity if it believes that the benefit to Investors of acquiring the relevant assets or reducing Gearing is greater than the short term detriment caused by the potential dilution associated with a capital raising.

Disputes and litigation

In the ordinary course of its operations, the Fund may be involved in disputes and possible litigation. While the extent of any disputes and litigation cannot be ascertained at this time, any such dispute may be costly and impact earnings or the value of the Fund's assets.

Compliance

CPFL is subjected to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If CPFL breaches the Corporations Act or the terms of its Australian Financial Services Licence, ASIC may take action to suspend or revoke the licence, which in turn would adversely impact the ability of CPFL to operate the Fund.

9.2 General risks of an investment in the Fund

9.2.1 General investment

There are risks associated with any financial market investment.

These include:

- the Stapled Securities may trade on the ASX at, above or below the Offer Price – the price of the Stapled Securities can fall as well as rise;
- as the Fund has not previously been listed, there is no trading history for the Stapled Securities and therefore no indication of how the Stapled Securities will perform on the ASX;
- the market price of Stapled Securities may be at a discount to the Fund's NTA per Stapled Security;
- there can be no assurance that liquidity will be maintained in the market for the Stapled Securities as the number of buyers and sellers of Stapled Securities will vary. Changes in liquidity may affect the price at which Investors are able to sell their Stapled Securities;
- if CPFL issues new Stapled Securities in the Fund, an existing Investor's proportional interest in the Fund may be reduced;
- if an Investor does not reinvest their Distribution while a Distribution reinvestment plan is operating, then their interest in the Fund may be diluted; and
- the market price of the Stapled Securities may be affected by factors unrelated to the operating performance of the Fund, such as those listed under the heading 'Macro-economic risks' below, investor sentiment, Australian and international financial market conditions, and the performance of other property businesses and assets. The security prices for many listed entities have in recent times been subject to wide fluctuations, which in many cases may be a reflection of a diverse range of influences not specific to those listed entities.

9.2.2 Macro-economic risks

Changes in the general economic outlook both in Australia and globally may impact the performance of the Fund and its Portfolio. Examples include:

- changes in the Australian and international economic outlook;
- performance of comparable listed entities and projects;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and costs of compliance therewith;
- changes in inflation, interest rates and rental capitalisation rates;
- changes in operating expenses (to the extent they are payable by the Fund and to the extent that they impact the

9.2 General risks of an investment in the Fund (continued)

9.2.2 Macro-economic risks (continued)

ability of Portfolio premises tenants to make rental payments);

- civil unrest, acts of war, terrorist attacks, acts of God and natural disasters, including earthquakes and floods, which may result in uninsured and insured losses; and
- significant industrial or political disturbances impacting entities comprising the Fund or the continuity of its business.

9.2.3 No guarantee of Distribution or capital return

Neither CPFL nor any other person gives a guarantee as to the amount of any income or capital return from the Stapled Securities or the performance of the Fund, nor do they guarantee the repayment of capital from the Fund.

9.2.4 Taxation

There may be tax implications arising from applications for Stapled Securities, the receipt of Distributions (if any) and returns of capital from the Fund, and on the disposal of Stapled Securities as well as the tax regime applicable to the Fund.

The Fund or an investment in the Fund can also be subject to tax risks on the basis that tax laws (including income tax, GST or stamp duty legislation) and relevant administrative practices are subject to change, possibly with retrospective effect. Taxation law may change due to changes in legislation, case law in Australia, rulings and determinations issued by the tax authorities.

For example, the Australian Government has announced that it intends to implement a proposed new tax system for managed investment trusts (MITs) from 1 July 2015 and has taken steps towards updating the Australian trust income tax provisions. Although as currently proposed, these changes are not expected to have an adverse impact on the existing tax treatment of the Fund, Investors should monitor developments.

The Fund is expected to qualify as a MIT for Australian income tax purposes. The ability to meet these tests is assessed on a yearly basis and depends, in part, on factors outside the control of CPFL. If the Fund does not qualify as a MIT for a particular year, the rate of tax applicable to taxable distributions to non-resident Investors in the Fund may increase.

Tax considerations vary between Investors, therefore prospective Investors should seek professional tax advice in connection with any investment in new Stapled Securities.

9.2.5 Law, regulatory and policy changes

Changes in law, government legislation, regulation and policy may adversely affect the value of the Portfolio and/or the Fund's future distributions.

9.2.6 Accounting standards

Changes in accounting standards may affect the reported earnings and financial position of the Fund in future financial periods.

9.2.7 Forward looking statements

There can be no guarantees that the assumptions and contingencies on which the forward looking statements, opinions and estimates are based will ultimately prove to be valid or accurate. The forward looking statements, opinions and estimates depend on various factors, many of which are outside the control of CPFL.

10.1 Overview of the Offer

The Offer is an offering of 57.2 million Stapled Securities at an Offer Price of \$2.00 per Stapled Security. The Offer is expected to raise \$114.3 million for the Fund. The purpose of the Offer is to:

- fund the redemption of the Stapled Securities in the Fund held by the Existing Investors who have elected to exit through the Cash Out Facility;
- fund the purchase of the New Properties;
- reduce the level of debt in the Fund; and
- pay for some of the transaction costs (refer to Section 6.6.2).

Sources of funds	\$ million	Uses of funds	\$ million
Offer proceeds	\$114.3	Fund the redemption of Existing Investors' Stapled Securities under the Cash Out Facility	\$13.7
		Acquisition of the New Properties	\$71.7
		Stamp duty and due diligence costs	\$4.2
		Reduce the level of debt in the Fund	\$21.5
		Other transaction costs	\$3.2 ⁶⁰
Total sources	\$114.3	Total uses	\$114.3

In conjunction with the Offer, the balance of the existing debt in the Fund will be refinanced through the new Debt Facility as described Sections 6.8 and 13.4.

10.2 Centuria investment

Centuria and its associates including members of the board and management will have an investment in the Fund of up to 19.9% of Stapled Securities at Allotment in accordance with the Subscription Agreement, with the level to be determined by CPFL as agreed with the Bookrunners.

CPFL reserves the right to not proceed with the Offer at any time before the issue of Stapled Securities to successful Applicants. If the Offer does not proceed, Application Monies will be refunded without interest.

The allocation of Stapled Securities will be determined by the Bookrunners in consultation with CPFL.

10.3 Structure of the Offer

The Offer made under this PDS is structured as follows:

- the Broker Firm Offer, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker (refer to Section 10.4);
- the Centuria Priority Offer, which is open to Eligible Centuria Investors (refer to Section 10.5); and
- the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and certain other overseas jurisdictions (excluding the United States) to bid for Stapled Securities (refer to Section 10.6).

No general public offer of Stapled Securities will be made. Members of the public wishing to subscribe for Stapled Securities under the Offer (who are not eligible under the Centuria Priority Offer) must do so through a Broker with a firm allocation.

Notes:

- (60) Other transaction costs of \$3.2 million represents underwriting, Offer management, advisors', consultants' and other fees and costs.

Details of the Offer

10.4 Broker Firm Offer

Who can apply in the Broker Firm Offer

The Broker Firm Offer is only open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker.

If you have been offered a firm allocation by a Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether they may allocate Stapled Securities to you under the Broker Firm Offer.

How to apply in the Broker Firm Offer

Applications to acquire Stapled Securities under the Broker Firm Offer will only be accepted on the Broker Firm Application Form. The Broker Firm Application Form must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Application Form.

If you apply in the Broker Firm Offer, you must apply for a minimum number of 1,000 Stapled Securities (\$2,000) and in multiples of 250 Stapled Securities (\$500) thereafter.

Broker Firm Offer Applicants must lodge their Broker Firm Application Forms and Application Monies in accordance with the directions of their Broker in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application to the Registry.

CPFL will accept payments of Application Monies from Brokers on behalf of Broker Firm Offer Applicants at the Broker Firm Offer Closing Date or such later date as CPFL and the Bookrunners agree. CPFL, the Registry and the Joint Lead Managers take no responsibility for any acts or omissions in connection with your Application, Broker Firm Application Form or Application Monies.

Closing date for the Broker Firm Offer

The Broker Firm Offer opens at 9.00am (AEDT) on Wednesday, 19 November 2014 and closes at 5.00pm (AEDT) on Wednesday, 3 December 2014, subject to amendment by CPFL with the consent of the Bookrunners. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before the offer closes.

Allocation policy

For Broker Firm Offer participants, it will be a matter for Brokers as to how they allocate Stapled Securities amongst their clients who are Retail Investors or Sophisticated Investors and if any Application Monies need to be refunded (for example, if there is an excess of Applications above the final allocation). Brokers (and not CPFL and the Bookrunners) will be responsible for ensuring that clients who have received a firm allocation from them receive the relevant Stapled Securities.

CPFL expects to announce the final allocation policy under the Broker Firm Offer on or about Wednesday, 10 December 2014. It is expected that this information will be advertised in The Australian and The Australian Financial Review. Applicants in the Broker Firm Offer should confirm their allocation with the Broker from whom they received their

allocation.

10.5 Centuria Priority Offer

Who can apply in the Centuria Priority Offer

The Centuria Priority Offer is open to Centuria Investors, being Eligible Centuria Shareholders and Eligible Centuria Fund Investors who registered an expression of interest in the Offer with CPFL on or before 24 October 2014 (**Eligible Centuria Investors**).

What is the Centuria Priority Offer?

Certain Centuria Investors were provided with an advanced preview of the Offer and were provided with an opportunity to register their interest in the Offer with CPFL on or before 24 October 2014. The Centuria Priority Offer provides the Eligible Centuria Investors who registered such an expression of interest with an opportunity to participate in the Offer (other than through the Broker Firm Offer or the Institutional Offer).

How to apply in the Centuria Priority Offer

Applicants under the Centuria Priority Offer must apply for a minimum number of 1,000 Stapled Securities (\$2,000) and in multiples of 250 Stapled Securities (\$500) thereafter.

Applications for Stapled Securities can be made by completing and lodging a paper copy of the Application Form in accordance with the instructions on the Application Form. An Application Form accompanies this PDS and the PDS in electronic form, which is available at www.centuriareitoffer.com.au. Before making an investment, Applicants should read this PDS in its entirety.

An Application must be accompanied by payment in Australian currency of the Application Monies. Cheques or bank drafts must be made payable to Centuria IPO offer and should be crossed and marked "Not Negotiable". Prior to the Centuria Priority Offer Closing Date, Application Forms and corresponding Application Monies should be mailed or delivered to the Registry as set out below:

Address

Centuria Metropolitan REIT
Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 3001

Alternatively, Centuria Priority Offer Applicants are also able to submit their Application Form and Application Monies electronically via the internet at www.centuriareitoffer.com.au with payment through BPAY. Full details of how to make payment through BPAY can be found online at www.centuriareitoffer.com.au. It is the Applicant's responsibility to ensure that BPAY payment is received by no later than 5.00pm (AEDT) on Wednesday, 3 December 2014. If you are applying online and paying by BPAY, you do not need to return the paper Application Form.

You should be aware that your financial institution may implement earlier cut off times with regard to electronic payment and therefore you should consider this when making payment.

Closing date for the Centuria Priority Offer

The Centuria Priority Offer opens at 9.00am (AEDT) on Wednesday, 19 November 2014 and closes at 5.00pm (AEDT) on Wednesday, 3 December 2014, subject to amendment by CPFL with the consent of the Bookrunners.

Allocation policy

The Bookrunners, in consultation with CPFL, have absolute discretion regarding the allocation of Stapled Securities to Applicants under the Centuria Priority Offer and may reject any Application, or allocate fewer Stapled Securities than applied for, in their absolute discretion. There is no priority allocation under the Centuria Priority Offer.

CPFL expects to announce the final allocation policy under the Centuria Priority Offer on or about Wednesday, 10 December 2014. It is expected that this information will be advertised in The Australian and The Australian Financial Review. Applicants under the Centuria Priority Offer may also call the Offer Information Line on 1300 721 463 (within Australia) or +61 3 9415 4300 (outside Australia) between 8.30 a.m. and 5.30 p.m. (AEDT) Monday to Friday.

Trustee, nominees or custodians

CPFL is not required to determine if an Eligible Centuria Investor is acting as a nominee, trustee or custodian for any beneficial owners. Any nominee, trustee or custodian that is acting on behalf of a foreign person will need to assess whether indirect participation in this Offer will adhere to the applicable foreign laws. Any Eligible Centuria Investor acting as a nominee, trustee or custodian in returning a completed Application Form represents that there has been no breach of any applicable regulations. Eligible Centuria Investors that are nominees, trustees or custodians are advised to seek independent advice before applying for Stapled Securities.

10.6 Institutional Offer

Invitations to bid

The Institutional Offer comprised an invitation to Australian resident Institutional Investors and Institutional Investors in certain other overseas jurisdictions (excluding the United States) to bid for Stapled Securities (refer to Section 10.16 for foreign selling restrictions). The Bookrunners separately advised Institutional Investors of the application procedures for the Institutional Offer.

Allocation under the Institutional Offer

The allocation of Stapled Securities among bidders in the Institutional Offer was determined by the Bookrunners in consultation with CPFL who had absolute discretion regarding the basis of allocation of Stapled Securities.

The allocation policy was influenced by the following factors:

- the volume of Stapled Securities bid by particular bidders;
- the timeliness of bids lodged during the bookbuild;
- CPFL's desire for an informed and active trading market in Stapled Securities post Listing;
- the size and investment mandate of particular bidders;

- the desire to have a wide spread of Institutional Investors on the Fund's register;
- the likelihood the bidder will be a long-term investor in the Fund; and
- any other factors that the Bookrunners, by agreement with CPFL, considered appropriate in their absolute discretion.

10.7 Allocation policy

The allocation of Stapled Securities between the Institutional Offer, the Broker Firm Offer and the Centuria Priority Offer was determined by the Bookrunners in consultation with CPFL, having regard to the following factors:

- desire to foster a stable, long-term register;
- desire for a liquid and informed trading market for the Stapled Securities;
- ability of Institutional Investors, Retail Investors and Sophisticated Investors to participate in potential future equity raisings;
- overall level of demand for Stapled Securities between the Institutional Offer, the Broker Firm Offer and the Centuria Priority Offer; and
- any other factors that the Bookrunners and CPFL considered appropriate.

10.8 Underwriting

CPFL and the Bookrunners have entered into an Underwriting Agreement in respect of the Offer. Under the Underwriting Agreement, the Bookrunners have been appointed as joint bookrunners, joint lead managers and underwriters to the Offer⁶¹ (excluding the Stapled Securities the subject of the Subscription Agreement, details of which are set out in Section 13.8). The Underwriting Agreement is summarised in Section 13.5.

10.9 Offer discretion

CPFL, subject to any necessary consent from the Bookrunners, reserves the right to:

- close the Offer or any part of it early;
- extend the Offer or any part of it;
- accept late Applications either generally or in particular cases;
- reject any Application;
- allocate any Applicant fewer Stapled Securities than their Application; and
- not proceed with the Offer or any part of it and to withdraw the Offer at any time before Allotment of Stapled Securities to Applicants.

Notes:

(61) The Underwriting Agreement is dated 7 November 2014.

Details of the Offer

10.10 ASX listing

Following the issue of Stapled Securities under the Offer (expected to occur on or about Tuesday, 9 December 2014) the Registry will send successful Applicants a holding statement detailing the number of Stapled Securities issued to them under the Offer. It is expected that holding statements will be dispatched on or about Thursday, 11 December 2014. It is the responsibility of Applicants to confirm their allocation of Stapled Securities prior to trading in Stapled Securities. Applicants can confirm their allocation of Stapled Securities by contacting their Broker or calling the Offer Information Line on 1300 721 463 (within Australia) or +61 3 9415 4300 (outside Australia). An Investor who sells Stapled Securities before they receive their holding statements does so at their own risk.

CPFL will apply for the Fund to be admitted to the Official List of the ASX and quotation of the Stapled Securities on the ASX within seven days of lodgement of this PDS. The Fund's expected ASX code will be CMA.

If the required approvals from the ASX are not given within three months after the date of this PDS (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

It is expected that, subject to receipt of the required approvals from the ASX, trading of Stapled Securities will commence on or about Wednesday, 10 December 2014 initially on a deferred settlement basis until CPFL has advised the ASX that holding statements have been despatched to Investors. Normal settlement trading is expected to commence on or about Friday, 12 December 2014.

CPFL, the Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Stapled Securities before receiving your holding statement, even if you obtained details of your holding from the Offer Information Line or confirmed your firm allocation through a Broker.

Neither the ASX nor any of its officers takes any responsibility for the content of this PDS or for the investment in the Fund.

The fact that the ASX may admit the Fund to the Official List should not to be taken as an endorsement by the ASX of the merits of the Fund or any investment in the Fund.

10.11 CHESS

CPFL will apply for the Stapled Securities to participate in CHESS, in accordance with the Listing Rules and the ASX Settlement Operating Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in a paperless form.

CPFL will also, in accordance with the Listing Rules and the ASX Settlement Operating Rules, maintain an electronic CHESS subregister (for Investors who are participants in CHESS or sponsored by such a participant) and an electronic issuer sponsored sub-register (for all other Investors). These two subregisters will together make up CPFL's principal

register of Investors. Following allocation of the Stapled Securities to successful Applicants, Investors will be sent an initial statement of holding that sets out the number of Stapled Securities that have been allocated and the Investor's Holder Identification Number, or in the case of issuer sponsored holders, the Investor Reference Number.

Investors will subsequently receive statements showing any changes to their holding of Stapled Securities. Certificates will not be issued for Stapled Securities.

10.12 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants who apply for Stapled Securities using an Application Form. Various fees in relation to the Offer may be payable by the Fund to the Bookrunners, see Section 12 for further details.

Investors who buy or sell Stapled Securities on the ASX may be subject to brokerage and other transaction costs. Under current legislation, there is no stamp duty payable on the sale or purchase of Stapled Securities on the ASX provided that no Investor (together with any related or associated persons for the purposes of stamp duty law) holds 90% or more of the Stapled Securities in the Fund.

10.13 Taxation issues

A summary of Australian income tax consequences of investing in the Fund is contained in Section 11.

However, the summary provides general information only. Applicants should make their own enquires in relation to the taxation consequences of investing, taking into account their own circumstances.

Applicants should obtain professional taxation advice about the consequences of investing in the Fund, from a taxation perspective in light of their particular circumstances.

10.14 No cooling-off

Applicants should note there will not be a cooling-off period in relation to Applications.

Once an Application has been lodged, it cannot be withdrawn. Should quotation of the Stapled Securities be granted by the ASX, Investors will have the opportunity to sell their Stapled Securities at the prevailing market price, which may be different to the Offer Price.

10.15 Return of Application Monies

Application Monies for Stapled Securities under this PDS will be held on trust for Applicants until the issue of Stapled Securities to successful Applicants. Application Monies will be fully or partially refunded where an Application is rejected or accepted in part only, the Offer is withdrawn and/or cancelled, or ASX does not grant permission for Stapled Securities to be quoted within three months after the date of this PDS. No interest will be paid on refunded amounts.

10.16 Foreign selling restrictions

International Offer restrictions

This document does not constitute an offer of Stapled Securities in any jurisdiction in which it would be unlawful. Stapled Securities may not be offered in any country outside Australia except to the extent permitted below.

UNITED STATES

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any Stapled Securities described in this document have not been, and will not be, registered under the US Securities Act of 1993, as amended (US Securities Act) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

Each Applicant under the Broker Firm Offer and the Centuria Priority Offer will be taken to have represented, warranted and agreed as follows:

- it understands that the Stapled Securities have not been, and will not be, registered under the US Securities Act, or the securities law of any state of the United States and may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act) absent registration or an exemption from registration under the US Securities Act;
- it is not located within the United States, is acquiring the Stapled Securities in an offshore transaction meeting the requirements of Regulation S and is not acquiring the Stapled Securities for the account or benefit of a US Person;
- it has not and will not send the Product Disclosure Statement or any other material relating to the Offer to any person in the United States;
- it will not offer or sell the Stapled Securities in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Stapled Securities are offered and sold.

Each Applicant under the Institutional Offer is required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

The Stapled Securities will be offered only outside the United States to non-U.S. persons, pursuant to the provisions of Regulation S of the US Securities Act. There will be no public offer of the Stapled Securities in the United States. The Stapled Securities and any beneficial interests therein may only be transferred in an offshore transaction in accordance with Regulation S to a person outside the United States and not known by the transferor to be a US Person, by prearrangement or otherwise.

The Stapled Securities have not been approved or disapproved by the US Securities and Exchange Commission,

any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Stapled Securities or the accuracy or adequacy of this Product Disclosure Statement. Any representation to the contrary is a criminal offence in the United States and any re-offer or resale of any of the Stapled Securities in the United States or to US Persons may constitute a violation of US law or regulation. Applicants for Stapled Securities will be required to certify that they are not US Persons and are not subscribing for Stapled Securities on behalf of US Persons. Any person in the United States who obtains a copy of this Product Disclosure Statement is requested to disregard it.

HONG KONG

The contents of this document have not been reviewed or approved by any regulatory authority in Hong Kong. This document does not constitute an offer or invitation to the public in Hong Kong to acquire Stapled Securities. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to the Stapled Securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than in relation to the Stapled Securities which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as such term is defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) ("SFO") and the subsidiary legislation made thereunder); or in circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Cap. 32) ("CO"); or which do not constitute an offer or an invitation to the public for the purposes of the SFO or the CO. The offer of the Stapled Securities is personal to the person to whom this document has been delivered by or on behalf of the Fund, and a subscription for Stapled Securities will only be accepted from such person. No person to whom a copy of this document is issued may issue, circulate or distribute this document in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

NEW ZEALAND

This document is not a prospectus or investment statement for the purpose of New Zealand law, and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand). The Stapled Securities are not being offered or sold to the public in New Zealand, or allotted with a view to being offered for sale to the public in New Zealand. This document may not be distributed in New Zealand to any person, and no person in New Zealand may accept a placement of Stapled Securities, other than:

- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or

Details of the Offer

10.16 Foreign selling restrictions (continued)

International Offer restrictions (continued)

- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Fund ("initial securities") in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

SINGAPORE

This document has not been registered as a prospectus under the Securities and Futures Act, Chapter 289 of Singapore (SFA) by the Monetary Authority of Singapore (MAS), and the offer of the Stapled Securities is made primarily pursuant to the exemption under Section 304 of the SFA. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Stapled Securities may not be circulated or distributed, nor may the Stapled Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore except to: (a) an institutional investor as defined in Section 4A of the SFA (Institutional Investor) pursuant to Section 304 of the SFA; or (b) otherwise pursuant to, and in accordance with the conditions of, any other applicable exemption or provision of the SFA.

This document has been given to you on the basis that you are an Institutional Investor (as defined in Section 4A of the SFA). In the event that you are not an Institutional Investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Stapled Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore in particular Section 304A of the SFA, and comply accordingly.

10.17 Further Enquiries

If you have enquiries or questions about this PDS or the Offer you should contact the Offer Information Line or one of the Joint Lead Managers.

If you are unclear in relation to any matter or are uncertain as to whether the Fund is a suitable investment, you should seek professional advice from your Broker, lawyer, accountant or other professional adviser before deciding whether to invest.



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Contact Scott Farrell, (02) 9335 7366
Tony Mulveney, (02) 9335 7121

11 November 2014

Dear Sirs

Initial Public Offering of stapled securities in the Fund – Australian Taxation Implications for Australian Resident and Non-Resident Investors

This letter has been prepared in connection with the Product Disclosure Statement (**PDS**) dated on or around 11 November 2014 concerning the Initial Public Offering (**IPO**) and listing of stapled securities (**Stapled Securities**) in Centuria Metropolitan REIT No. 1 (**CMR1**) and Centuria Metropolitan REIT No. 2 (**CMR2**) (together referred to as the “**Fund**”) on the Australian Securities Exchange.

The purpose of this letter is to provide a general summary of the Australian income tax, Goods and Services Tax (**GST**) and stamp duty implications for investors in the Stapled Securities (**Investors**). This letter does not address all of the Australian income tax, GST and stamp duty implications for Investors. As individual circumstances differ, Investors should seek advice from their own professional advisers on the tax consequences that might arise to them before making a decision on their investment.

The tax comments below provide a general outline of the Australian tax issues for Australian resident and non-resident Investors that will hold their Stapled Securities on capital account for Australian income tax purposes (i.e. the comments do not apply to Investors that will hold the Stapled Securities on revenue account or as trading securities). They also do not apply to Investors that are banks, insurance companies, taxpayers that carry on a business of trading in Stapled Securities or that are subject to the Taxation of Financial Arrangement rules contained in Division 230 of the *Income Tax Assessment Act 1997*.

The tax comments below are based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the tax authority at the time of issue of this Document. Tax law is complex and subject to ongoing change. The tax consequences discussed in this summary do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the tax and stamp consequences should be reconsidered by Investors in



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light of the changes. The precise implications will depend upon each Investor's specific circumstances.

1 Acquisition of Securities

An investment in the Fund comprises an investment in Stapled Securities, with each Stapled Security comprising one unit in CMR1 and one unit in CMR2.

Each of the units in CMR1 and CMR2 are stapled together such that the unit in each trust is not able to be traded separately.

Although each component unit in a Security cannot be traded separately, each component is treated separately for tax purposes. This effectively means that the tax consequences arising in respect of each component of a Stapled Security must be considered in isolation to the tax consequences of the other components.

Investors will pay a single amount to acquire each Security. However, for Capital Gains Tax (**CGT**) purposes the cost base of each component of the Security will need to be determined at the time of acquisition.

We understand that Centuria Property Funds Limited (**Responsible Entity**) will publish information to allow each Investor to determine the cost base attributable to each component of the Security.

2 Taxation Treatment of the Fund

Based on the activities of the Fund, it is our view that the Fund should be considered to be a flow through trust for the Australian income tax purposes. In particular, it is expected that the Fund should not be taxed as though it is a company pursuant to either:

- Division 6B (about corporate unit trusts) of the *Income Tax Assessment Act 1936*, or
- Division 6C (about public trading trusts) of the *Income Tax Assessment Act 1936*.

Broadly, a unit trust is a corporate unit trust where property is transferred to the trust by a company, or another corporate unit trust, under an arrangement whereby the shareholders in the company, or the unit holders in the other corporate unit trust, are granted a right or option to acquire units in the unit trust pursuant to the arrangement. Based on the facts outlined in the PDS, we consider that Division 6B should not apply.

Broadly, a trust is a "public trading trust" within the meaning of Division 6C in relation to a tax year if it is:

- A "public unit trust" in relation to that tax year (which we have assumed will be the case)
- A "trading trust" in relation to that tax year, and
- A "resident unit trust" in relation to that tax year (which will clearly be the case here).



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A unit trust may be regarded as a “trading trust” if at any time during a year of income it carries on a trading business or controls, or is able to control, directly or indirectly, a trading business carried on by another person.

A trading business is defined as a business that does not consist wholly of “eligible investment business”. “Eligible investment business” is defined as meaning either or both of the following:

- (a) *investing in land for the purpose, or primarily for the purpose of deriving rent; or*
- (b) *investing or trading in, any of the following:*
 - (i) *secured or unsecured loans (including deposits with a bank or other financial institution);*
 - (ii) *bonds, debentures, stocks or other securities;*
 - (iii) *shares in a company;*
 - (iv) *units in a unit trust;*
 - (v) *.....*

We understand that the activities of the Fund will only comprise of investing in land for the purposes of deriving rent, either directly or indirectly through subsidiary unit trusts. It is understood that the Fund cannot control any active trading business(es). Accordingly, based on these activities, it is our view that Division 6C should not apply to the Fund.

Very importantly, the issue of whether the Fund is a “public trading trust” is one to be determined each year. This means that the activities of the Fund will need to be monitored by the Responsible Entity on a go forward basis.

It is intended that the Fund will be administered such that Investors will be presently entitled all of the Fund’s income in each year in which there is taxable income and that in such years, the amount of the distribution will be equal to or greater than its taxable income.

Provided investors are not under any legal disability and are presently entitled to all of the income of the Fund in respect of each income year, Investors will be taxed on their share of the taxable income of Fund and therefore the Responsible Entity of Fund should not be liable to pay income tax. However, different consequences arise depending on whether an investor is or is not an Australian resident for tax purposes.

3 Resident Investors

3.1 Distributions of income

From time to time, an Australian Investor may receive trust distributions from the Fund. We expect that these distributions will comprise taxable and non-taxable amounts. An Investor is required to include the taxable component of any trust distribution in their assessable income. The taxable component of such distributions may include:

- Australian source income, primarily net rental income from Australian properties; and



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- Net capital gains in respect of the disposal of taxable Australian property. Where discount capital gains tax treatment has been applied in calculating the net capital gain of the Fund, an Investor will be required to gross up the amount of the capital gain included in their assessable income. The Investor may then apply any capital losses from other sources to offset the capital gain and then apply their CGT discount factor, if applicable (refer to 3.2).

Distributions to Investors may also comprise non-taxable amounts that represent:

- the benefit of the 50% CGT discount concession claimed by the Fund in calculating its net taxable income. Such distributions will not reduce an Investor's CGT cost base in their investment. This is considered and discussed further below at Paragraph 3.2; and
- non-taxable distributions typically referred to as "tax-deferred" amounts (refer to 3.1.1 below).

Following the payment of a distribution, the Responsible Entity of the Fund will provide resident Investors with an annual tax distribution statement.

3.1.1 Tax deferred amounts

Non-taxable distributions typically comprise "tax-deferred" amounts which represent amounts that will not immediately be taxable to an Investor. The tax-deferred portion of any distribution by the Fund will reduce the CGT cost base of the Stapled Securities held by an Investor.

This will require an Investor to maintain tax cost base information for their Stapled Securities in the Fund. This will be important for the calculation of the capital gain or loss that will arise to an Investor upon a future disposal of Stapled Securities in the Fund.

To the extent tax-deferred distributions received exceed the Investor's cost base of the Stapled Securities, the excess will be taxable as a capital gain to the Investor to the extent that the Stapled Securities are considered taxable Australian property. In these circumstances, the cost base and reduced cost base of the Stapled Securities is reduced to \$Nil.

3.2 Disposal of a Stapled Security

Upon disposal of a Stapled Security, the capital proceeds received must be apportioned between the individual securities in the Stapled Security, as they are treated as separate CGT assets. Therefore, for each Stapled Security, a capital gain will arise upon disposal if the capital proceeds exceed the cost base. Alternatively, a capital loss will arise if the reduced cost base is greater than the capital proceeds.

An Investor's cost base in each Stapled Security will include the amount paid for the Stapled Security and relevant incidental costs incurred to acquire the Stapled Security, apportioned between the securities as necessary.

Any CGT discounted gain of the Fund distributed to Investors will be grossed up to its original amount in the Investor's hands (i.e. before the CGT discount). This grossed-up amount potentially may then be reduced by any current or prior year capital losses of the Investor in calculating each Investor's capital gain depending on the Investor's specific circumstances.



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An Investor may then be entitled to claim the CGT discount on the amount. Where an Investor is an individual, complying superannuation fund or a trust that has held the Stapled Security for at least 12 months at the time of disposal, the concessional CGT discount will reduce capital gains by 50% for individuals and trusts, and for complying superannuation funds, the concessional CGT discount will reduce capital gains by 33 ⅓%.

3.3 Request for an Australian Tax File Number or Australian Business Number

Upon investment in the Fund, the Responsible Entity of the Fund will request that Investors provide their Australian Tax File Number (**TFN**). Although not mandatory, if an Investor does not provide a TFN, the Trustee will be required to withhold amounts from distributions at the top marginal tax rate, which is currently at 47%. Alternatively, if an Investor purchased the Stapled Securities in the course of an enterprise, an Investor may quote its Australian Business Number (**ABN**) instead.

4 Non-Resident Investors

The information in this Section dealing with non-residents of Australia does not apply to non-residents who hold their Stapled Securities through a permanent establishment in Australia.

4.1 Distributions of income

Broadly, the Fund is expected to be a Managed Investment Trust (**MIT**) for Australian tax purposes. This is a yearly test. The Fund will be a MIT in relation to an income year if it satisfies certain requirements, including the Fund:

- is managed and controlled in Australia or has an Australian resident trustee;
- undertakes only passive investment activities (it must not carry on, or control, a trading business);
- is managed by an appropriately licenced entity; and
- is ‘widely-held’.

However, satisfaction of some of the requirements to be a MIT is outside of the control of Responsible Entity such as the amount, concentration and nature of the ultimate non-resident Investors of the Fund during a particular income year. Therefore, the MIT status of the Fund in each income year will depend upon the satisfaction of these factors.

Based on information currently available it is expected that the Fund will be a MIT for tax purposes of the current year. The following comments are on the basis that the Fund is a MIT.

The Responsible Entity will be liable to deduct MIT withholding tax on behalf of a non-resident Investors in respect of the “fund payment” component of a distribution payable to such beneficiaries of the Fund. Generally, this is a final withholding tax and an Investor will not be required to lodge a tax return in Australia.

The fund payment component of a distribution by the Fund may include amounts comprising:

- Australian source income, primarily net rental income from Australian properties; and



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- Gross capital gains in respect of the disposal of taxable Australian property, (i.e. grossed up for any CGT discount available to the Fund).

The fund payment component will not include amounts comprising:

- interest, royalties or dividends (however, such distributions may have Australian withholding tax deducted by the Responsible Entity). It is expected that the Fund may distribute interest but it is not expected that a component of its distributions will comprise of royalties or dividends;
- capital gains in respect of CGT assets that are not taxable Australian property; and
- tax deferred distributions (refer to comments above).

The MIT withholding tax rates for the fund payment component of distributions to non-resident Investors vary depending upon whether the recipients reside in a country with which Australia has an Exchange of Information (**EOI**) Agreement. The MIT withholding tax rate is 15% where the address or place of payment for the non-resident Investor is in an EOI country, or 30% for a non-resident Investor in a non-EOI country.

Where a non-resident Investor is a trust a higher rate of withholding (of up to 45%) may be required even if the Fund is a MIT. However, the Government has announced that the law will be clarified such that widely held foreign superannuation funds that are trusts will be entitled to access the 15% or 30% MIT withholding tax rate, as applicable.

4.2 Disposal of a Stapled Security

A non-resident Investor may be subject to CGT on any capital gain that arises in respect of the Fund given that its assets predominantly represent interests in Australian real property assets at the time of the proposed listing and are expected to continue to predominantly comprise of Australian real property assets. However, a CGT liability may not arise at the time of the disposal if:

- The non-resident Investor (and any associates) holds less than 10% of the Stapled Securities of the Fund at the time of the disposal;
- Prior to the disposal, the Investor (and any associated) did not hold 10% or more of the issued capital of the Fund during a 12 month period that began no earlier than 24 months before the time of the disposal and ending no later than the time of the disposal; and
- an investor is a former Australian resident who chooses to treat the units as taxable Australian property when they cease to be an Australian resident.

The cost base in each security will include the amount paid for the Stapled Security and relevant incidental costs incurred to acquire the Stapled Security, apportioned between the securities as necessary.

The CGT discount concession will generally not be available to non-resident Investors.



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5 **Changes to tax laws applicable to MITs**

The Government has announced proposed changes to the tax laws applicable to MITs. The final form of these changes is not available. However, it is not expected that the changes announced will materially change the income tax implications for non-resident investors outlined above.

6. **GST**

There should be no GST implications arising upon the distribution of income. The issuance of the Stapled Securities by the Fund should not be subject to GST, however in certain circumstances, there may be a restriction on the entitlement to claim input tax credits for GST incurred in respect to costs associated with the subscription or disposal of the Stapled Securities.

7. **Stamp Duty**

The Fund will have land holdings in the States of South Australia, New South Wales and Queensland, and will therefore be a landholder. The Fund will be a listed unit trust on the basis that the Stapled Securities to be issued will be quoted on the Australian Securities Exchange from the time of issue.

The acquisition of Stapled Securities by an Investor should not give rise to any landholder duty liability provided that the interest in the Fund held by the Investor immediately after the acquisition does not amount to an interest of 90% or more. When determining whether this threshold is reached, the interests of associated and related persons are taken into account.

Interests acquired by Investors who are not associated or related under the prospectus should not be aggregated on the basis that the Investors will independently acquire their interests pursuant to a public offer.

Yours faithfully

Scott Farrell
Partner

Tony Mulveney
Partner

Fees and Other Costs

CONSUMER ADVISORY WARNING

The Corporations Act requires CPFL to include the following standard consumer advisory warning. The information in the consumer advisory warning is standard across product disclosure statements and is not specific to information on fees and costs in the Fund.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

12.1 Fees and other costs

The following table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole. Taxes are set out in another part of this PDS. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable

Type of fee or cost	Amount	How and when paid
The fees and costs for managing your investment	CPFL is entitled to receive a management fee for acting as the Responsible Entity of the Fund equal to 0.55% per annum of GAV CPFL is entitled to be reimbursed for expenses relating to proper performance of its duties as Responsible Entity (estimated to equate to \$0.3 million⁶² per annum which is equal to 0.16%⁶³ of GAV at Allotment)	To be paid from the income or assets of the Fund monthly in arrears Expenses are reimbursable to CPFL from the Fund's income and assets as and when incurred
Service fees		
<i>Switching fees</i> The fee for changing investment options	Nil	Not Applicable

12.1.1 Example of annual fees and costs

The following table gives an example of how the fees and costs in the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products. All amounts are exclusive of GST.

Type of fee or cost	Amount	Balance of \$50,000 with a contribution of \$5,000 during the year ⁶⁴
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
PLUS Management costs		
- Management fees	0.55% per annum of GAV	For every \$50,000 you have invested you will be charged \$356 ⁶⁵
- Operating expenses	0.16% per annum of GAV	For every \$50,000 you have invested you will be charged \$105 ⁶⁶
EQUALS cost of Fund		
		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 at the beginning of the year you would be charged fees and expenses of \$507 for that year

Notes:

- (62) This amount is an estimate only based on the expected costs of managing and administering the Fund (excluding the Management Fee).
- (63) This percentage has been estimated based on the Fund's expected GAV on Allotment of \$185.2 million. This is an estimate only and it is likely that both the expenses and the Fund's GAV will change over time.
- (64) This table assumes that a total of \$50,000 is invested under the Offer (i.e. to acquire 25,000 Stapled Securities at \$2.00 each). If you were to invest \$50,000 in Stapled Securities subsequent to the Offer, the amount of fees applicable to that investment may differ from the amounts set out in this table if more or less than 25,000 Stapled Securities are acquired (even if the Fund's GAV and the operating expenses were as estimated).
- (65) This amount has been estimated based on the Fund's expected GAV at Allotment of \$185.2 million and applies the full management fee of 0.55% per annum of GAV that will apply from the day following Allotment. This is an estimate only and it is likely that the Fund's GAV, and therefore the amount of the management fee payable to CPFL as Responsible Entity, will change over time.
- (66) This amount is an estimate only based on the expected costs of managing and administering the Fund (excluding the Management Fee).

Fees and Other Costs

12.2 Additional explanation of fees and costs

Operating costs

To the extent permitted by the Corporations Act, CPFL is entitled to recover all costs and expenses it incurs in the proper performance of its duties as Responsible Entity of the Fund, including in relation to:

- costs of maintaining the Fund's compliance committee;
- costs of the Fund's external advisors, including the Fund's auditors;
- fees payable to the Fund's Custodian;
- fees payable to the Registry;
- ongoing fees payable to the ASX; and
- the amounts payable to Centuria Property Services under a Management Services Agreement and the Development and Project Management Services Agreement.

CPFL estimates that in its capacity as Responsible Entity of the Fund it will incur costs of managing and administering the Fund of approximately \$0.3m per annum which is equal to 0.16% of the Fund's GAV at Allotment. This excludes amounts payable under a Management Services Agreement and Development and Project Management Services Agreement which are set out separately below. This is an estimate only and the actual expenses incurred by CPFL may differ.

CPFL is entitled to recover all such expenses from the assets or income of the Fund, including any amounts payable to a member of Centuria. Any amounts paid to members of the Centuria Group will be under arrangements that are on an arm's length basis where the fees are in accordance with market rates for the relevant services provided.

Fees to related parties under other arrangements

Certain fees and expenses will represent fees and expenses paid from the assets of the Fund to Centuria Property Services including pursuant to a Management Services Agreement and the Development and Project Management Services Agreement. See Sections 13.1 and 13.2 for information in relation to those agreements. These amounts, which are summarised below, are not included in the above tables as "management costs", as they are of a kind that would be incurred if investors acquired the relevant properties directly and not through the Fund.

Management Services Agreement

Property Management Fee

Centuria Property Services is entitled to charge (or, in the case of the New Properties, will be entitled to) a base property management fee and facilities management fee of:

- \$4,370 plus GST per month for 555 Coronation Drive, Toowong;
- \$4,350 plus GST per month for 3 Carlingford, Road Epping;
- \$4,228 plus GST per month for 14 Mars Road, Lane Cove;
- \$3,851 plus GST per month for 9 Help Street, Chatswood (excluding facilities management which is undertaken by a third party);
- \$1,694 plus GST per month for 13 Ferndell Street, Granville;
- \$1,673 plus GST per month for 44 Hampden Road, Artarmon; and
- \$1,667 plus GST per month for 149 Kerry Road, Archerfield;

Increased annually by 3% each 1 July.

Management Services Agreement

Leasing Administration Fee

Centuria Property Services is entitled to (or, in the case of the New Properties, will be entitled to) charge a Leasing Administration Fee in respect of various leasing activities, which is principally based on a scale which varies according to the duration of lease entered into by the tenant.

The Leasing Administration Fee scale is as follows:

Lease term	Maximum fee payable to Centuria Property Services
Lease term of up to 3 years	11.0% of first year gross rental (plus GST)
Lease term of 3-4 years	12.0% of first year gross rental (plus GST)
Lease term of 4-5 years	13.0% of first year gross rental (plus GST)
Lease term of 5 years or more	13.0% + 0.5% for every year over five years (capped at 15.0%) of first year gross rental (plus GST)

In addition, Centuria Property Services is entitled to a surrender fee calculated as 5% of gross income surrender value, a project management fee calculated as 5% of the value of the building works (where the value is greater than \$5,000) and engineering/operation services charges as agreed in writing from time to time.

Market Review Fee

Centuria Property Services is entitled to charge a Market Review Fee, being \$500 (plus GST).

Development and Project Management Services Agreement

Development Planning Fee

Centuria Property Services is entitled to charge a Development Planning Fee.

The Development Planning Fee is currently an hourly rate of \$260 (plus GST) per hour and is increased annually on 1 July by the greater of 3% and the rate of inflation.

Development Services Fee

Centuria Property Services is entitled to charge a Development Services Fee.

The Development Services Fee constitutes 5% of the estimated project costs (as set out in the initial investment proposal), paid monthly in arrears during the term of the project. If the scope of the project is changed so that the revised costs exceed the initial estimated project costs, an additional Development Services Fee is payable which is equal to 5% of that excess.

Fee changes

CPFL may not increase the fees payable to it above the amounts set out in the Constitutions without a special resolution of Investors first having varied the Constitution. A special resolution requires 75% of the votes (by value) cast by those Investors entitled to vote on the resolution.

Under the Constitutions, CPFL is entitled to charge a Management Fee of 0.60% per annum of GAV but has reduced the fee to 0.55% per annum of GAV while Stapled Securities are quoted. In addition, under the Constitutions, if the Stapled Securities are ever not quoted, CPFL would be entitled to charge certain other fees, being a performance fee if a property's sale price (after sales costs) exceeds its acquisition price by 15% or more (adjusted acquisition price) equal to 15% of the amount exceeding the adjusted acquisition price, an acquisition fee of 5% of the purchase price of any property, a transfer fee of 3% of the gross transfer value and a redemption fee (equal to 3.0% of the redemption amount for investments held less than 3 years, 2.0% of the redemption amount for investments held more than 3 years, 1% of the redemption amount for investments held for more than 4 years and nil for investments held more than 5 years). In this paragraph, references to fees are GST exclusive. If the Fund is ever not listed and CPFL determined to charge any of these fees, it would give Investors at least 30 days' notice.

Taxes

For information in relation to the taxation implications associated with an investment in the Fund please see Section 11.

12.3 Fees and costs associated with the Offer

The following table sets out the fees and costs expected to be incurred in connection with the Offer and the acquisition of the New Properties by the Fund and the portion of those fees and costs which will be borne by Existing Investors.

Stamp duty costs

No stamp duty is payable on the Existing Assets held by the Fund as a result of the Transaction.

Ad valorem stamp duty of approximately \$4.0 million is payable on the acquisition of the New Properties.

The steps under which the Fund will be listed on the ASX and its Stapled Securities quoted on the ASX, including the allotment of Stapled Securities to the Centuria Group, its associates and other investors, will not trigger any stamp duty liability.

Property due diligence and other property acquisition costs

Property due diligence and other property acquisition costs associated with valuations and legal advice in relation to the acquisition of the New Properties of approximately \$0.2 million will be incurred by the Fund.

Underwriting, Offer management, advisors', consultants' and other fees and costs

Offer costs are estimated to be up to \$4.4 million and include underwriting and offer management costs, advisers' and consultants' fees, printing and marketing.

Broker Fees

The Bookrunners will pay a handling fee of 1.5% of the gross proceeds of the Stapled Securities allocated to each Broker under the Broker Firm Offer. These fees are payable by the Bookrunners and will not be payable by Investors or directly by the Fund.

Costs borne by the Fund

Total fees and costs are expected to be \$8.9 million. Costs borne by the Existing Investors in relation to the development and implementation of the Transaction amount to \$1.2 million, therefore the additional costs borne by the Fund are expected to be up to \$7.7 million. These costs are one-off in nature and have not been included in the management costs of the Fund in subsequent years. These amounts will be paid by the Fund from the proceeds raised under the Offer. The table below sets out the fees and costs the Fund expects to incur as a result of the Transaction.

Type of fee or cost	Expected total	% of total
Stamp duty costs	\$4.0m	
Other property acquisition costs	\$0.2m	
Debt establishment costs	\$0.3m	
Underwriting and Offer management fees and costs (as described in the summary of the Underwriting Agreement in Section 13.5)	\$3.4m	
Advisors' and consultants' fees	\$0.6m	
Other transaction costs	\$0.4m	
Total fees and costs	\$8.9m	100%
Costs borne by the Existing Investors in relation to the development and implementation of the Transaction	\$1.2m	13%
Additional transaction costs to be borne by the Fund	\$7.7m	88%

13.1 Management services agreement

CPFL, Centuria Property Services and the Custodian have entered into a separate Management Services Agreement in respect of each of the Existing Assets (other than 44 Hampden Road, Artarmon and 1 Richmond Road, Keswick), under which CPFL has appointed Centuria Property Services to manage the relevant Property. CPFL has appointed a local property manager in respect of 1 Richmond Road, Keswick, Adelaide.

CPFL intends to enter into a similar agreement with Centuria Property Services in respect of each of the New Properties and 44 Hampden Road, Artarmon and may enter into a similar agreement in respect of any future property.

Under the Management Services Agreement for 9 Help Street, Chatswood, in addition to the appointment of Centuria Property Services to provide certain services in respect of that Property, CPFL has appointed a third party facilities manager.

The key terms of each Management Services Agreement for the Existing Assets for which a Management Services Agreement is in place are set out below.

13.1.1 Management Services

Under a Management Services Agreement, Centuria Property Services is engaged to provide a number of services including:

- **Financial accounting:** administering of all leases and tenancy agreements, collection of rents, policing of tenancy charges in arrears, arranging for payment of rates, insurance premiums and other expenses incurred in operating the Property;
- **Physical surveillance:** formalising maintenance contracts and service agreements, arranging for repairs and maintenance works, inspecting the Property on a regular basis, appointment of operations staff as required in consultation with CPFL, and providing CPFL with an annual budget;
- **Estate administration:** retaining tenancy files and records of all leases and related documents for the required statutory period, providing recommendations on the insurance requirements of the Property, and adhering to insurance claim procedures; and
- **Detailed reporting:** providing monthly financial reports and annual budget reports, including itemised statements of income and expenditure and comparison of actual to budget figures for the relevant period.

However, under the Management Services Agreement for 9 Help Street, Chatswood, the physical surveillance services are primarily undertaken by the third party facilities manager in conjunction with Centuria Property Services.

13.1.2 Fees and expenses

Centuria Property Services is entitled to receive fees as described in Section 12.2.

13.1.3 Termination

Each Management Services Agreement is ongoing unless terminated. CPFL or Centuria Property Services may terminate the Management Services Agreement in customary circumstances including if either party is wound up or enters into liquidation, becomes insolvent or breaches the Management Services Agreement and fails to remedy that breach. In the case of 9 Help Street, Chatswood, the termination provision also applies to the third party facilities manager.

In addition, CPFL may terminate the Management Services Agreement if Centuria Property Services engages in any conduct prejudicial to a Property or the management of a Property. In the case of 9 Help Street, Chatswood, the termination provision also applies to conduct by the third party facilities manager.

The Management Services Agreement for a Property will otherwise terminate if the Property is sold, effective from the date of completion of the sale.

In addition to the above termination rights, CPFL may terminate a Management Services Agreement at any time by giving Centuria Property Services 30 days prior written notice. However, under the Management Services Agreement for 9 Help Street, Chatswood either party may terminate the agreement at any time by giving Centuria Property Services 30 days prior written notice.

13.1.4 Warranties

Each party warrants that it has authority to enter into the Management Services Agreement and CPFL gives a number of customary warranties.

13.1.5 Indemnities

Under each Management Services Agreement, subject to certain exclusions relating to, amongst other things, negligence or breach by the indemnified party:

- CPFL must indemnify Centuria Property Services against all actions, costs and expenses incurred by Centuria Property Services in the management of the Property or exercise of its rights or performance of its obligations under the Management Services Agreement and in the case of 9 Help Street, Chatswood the indemnity is also given to the third party facilities manager; and
- Centuria Property Services must indemnify CPFL and the Custodian against all actions, costs and expenses arising from, amongst other things, any negligence or breach of the Management Services Agreement by Centuria Property Services and in the case of 9 Help Street, Chatswood the indemnity is also given by the third party facilities manager.

Summary of Important Documents

13.2 Development and Project Management Services Agreement

CPFL, Centuria Property Services and the Custodian have entered into a Development and Project Management Services Agreement (“**DPMSA**”), under which CPFL appoints Centuria Property Services to provide development management and project management services for development projects in which CPFL invests.

The DPMSA operates on an exclusive basis and runs for a term of twenty years unless terminated earlier.

13.2.1 Services

Under the DPMSA, CPFL appoints Centuria Property Services to perform a number of services in regard to the management of potential or existing property development projects located in Australia. Services include:

- **Development feasibility services:** analysing opportunities for the Fund as they arise, including measuring potential risk factors relating to each development opportunity, arranging market research to establish the likely costs and revenues of the development opportunity, and preparing an investment proposal outlining the key features of the development opportunity for the benefit of CPFL;
- **Development planning services:** master planning and strategic direction, meeting with and reviewing adjoining owners/tenants, negotiations on improvements to planning, rezoning land/property for higher and better use, removing limitations and restrictions over the plan, and consolidating or subdividing properties as required;
- **Development management and project services:** implementation of the commercial and regulatory aspects of the project as approved by CPFL, including sourcing and negotiating any pre-sales / leasing, assisting in the engagement of expert consultants, legal advisers and contractors, carrying out the financial management aspects of the project, procuring statutory approvals and assisting in project funding arrangements; and
- **Project Management Services:** managing the delivery of the physical project, including taking responsibility over various aspects of the project such as design, construction, fit-out, commissioning, and authority approvals in relation to design and construction and defect liability periods.

Centuria Property Services is the exclusive provider of such services to CPFL on existing assets or development assets that it introduces to CPFL.

13.2.2 Development of opportunities

Under the DPMSA, Centuria Property Services must refer all development opportunities that it identifies or considers to CPFL, provide to CPFL all information in its possession reasonably requested by CPFL for the purposes of analysing and evaluating the development opportunity, and procure each member of the Centuria Group to do the same.

13.2.3 Fees and expenses

Centuria Property Services is entitled to fees as described in Section 12.2.

Centuria Property Services is also entitled to be reimbursed for certain expenses incurred in the provision of services, including travel costs, government and statutory fees and other pre-approved costs and expenses.

13.2.4 Termination

Provided the parties have first undertaken the dispute resolution procedures prescribed in the DPMSA, the DPMSA may be terminated by CPFL or Centuria Property Services if any of the following events occur:

- either CPFL or Centuria Property Services is entered into receivership, administration or liquidation, or otherwise ceases to carry on business;
- either CPFL or Centuria Property Services breaches any provisions in the DPMSA which either cannot be remedied, or otherwise remain unremedied for 5 business days after notice of the breach has been given to the defaulting party; or
- the DPMSA is required to be terminated by law.

In addition to the above termination rights, CPFL may terminate the DPMSA at any time by giving Centuria Property Services 90 days prior written notice.

CPFL may also, in its absolute discretion, vary, suspend or cancel a development project at any time. If CPFL cancels a project, the DPMSA will terminate in respect of those services provided in connection with the project. Centuria Property Services will also be entitled to a portion of the Development Services Fee determined in accordance with the DPMSA, and any outstanding project costs and liabilities associated with the project.

13.2.5 Warranties

CPFL and Centuria Property Services provide a number of customary warranties in the DPMSA, including warranties as to their capacity to enter the DPMSA and their performance under the DPMSA.

In addition, Centuria Property Services warrants that it has, and will have at all times during the term of the DPMSA, the skills, facilities, capacity and staff necessary to perform the services and its obligations under the DPMSA.

13.2.6 Indemnities

Subject to certain exclusions relating to, amongst other things, fraud or dishonesty of the indemnified party, CPFL has an obligation to indemnify Centuria Property Services against any losses, costs and expenses incurred by Centuria Property Services or any of its officers or agents acting under the DPMSA.

In turn, Centuria Property Services has an obligation to CPFL and the Custodian against losses, costs and expenses arising out of any negligence, fraud or breach of the DPMSA on its part or the part of its officers or agents.

13.3 Fund Constitutions

Each Trust comprising the Fund is a managed investment scheme and the main rules governing its operation are set out in the relevant Constitution. The Corporations Act (subject to the exemptions and declarations given by ASIC), the Listing Rules (subject to the waivers given by ASX) and the general law of trusts are also relevant to the rights and obligations of CPFL and Investors. The main provisions of the Constitutions that deal with the respective rights and obligations of Investors and CPFL are summarised below.

13.3.1 Units

The beneficial interest in each of the Trusts is divided into units. Each unit confers on the member an equal undivided interest in the relevant Trust. It confers an interest in the relevant Trust's assets as a whole and not an interest in any particular asset.

CPFL may issue units in a Trust. CPFL may issue different classes of units or divide issued units into different classes. CPFL may reject all or part of an application for units.

13.3.2 Issue price

The Constitution of each Trust contains provisions regarding the calculation of the issue price of units and also has provisions relevant to Stapled Securities. Stapled Securities under this PDS are to be issued at \$2.00.

Generally while Stapled Securities are Officially Quoted, Stapled Securities will be issued at an issue price as follows:

- in the case of a proportionate offer to Investors, subject to the Listing Rules and any applicable ASIC relief, as determined by CPFL;
- in the case of a placement of Stapled Securities or issue of Stapled Securities under a security purchase plan that complies with the Listing Rules and applicable ASIC relief, as determined by CPFL;
- in the case of a reinvestment of distributions, as determined by CPFL. However, if no determination is made by the date of reinvestment, the price will be the average of the volume weighted average price for Stapled Securities for the 10 ASX trading days from and including the relevant distribution date; and
- in all other circumstances while Stapled Securities are Officially Quoted, the market price of a Stapled Security on the date on which or as at which the issue price is to be calculated. "Market price" is generally based on the weighted average of the volume weighted average price on the ASX for Stapled Securities for the 10 ASX trading days before the relevant day or the price obtained pursuant to certain bookbuilds. If Stapled Securities have not been Officially Quoted over the relevant period or CPFL is of the opinion the price does not provide a fair reflection of market value, the market price would be determined by an independent adviser.

13.3.3 Distributions

Subject to the rights attaching to any particular unit, members are generally entitled to share in Distributions in proportion to the number of units they hold.

CPFL may allow members to reinvest some or all of any Distribution to acquire units.

CPFL may at any time also distribute capital of a Trust to members in proportion to the number of units they hold. Such Distributions may be in the form of cash or additional units.

13.3.4 Redemption

Members do not have any right to have their units redeemed. Subject to the Corporations Act and the Listing Rules, while the units are Officially Quoted, CPFL may buy back units.

13.3.5 Transfer of Stapled Securities

Subject to the Constitution and the Listing Rules, while the units are quoted for trading on the ASX, they may be transferred by any method permitted by the operating rules of the ASX's clearing and settlement facility or the Corporations Act, the ASX or ASIC. However, "restricted securities" (as defined in the Listing Rules) may not be disposed of during the "escrow period" (as defined in the Listing Rules).

13.3.6 Meetings

Members' rights to requisition, attend and vote at meetings are generally as prescribed by the Corporations Act.

13.3.7 Member's liability

If there is not enough scheme property to meet the liabilities of CPFL in relation to a Trust, a member does not have to make up the difference or indemnify or make a payment to CPFL or any of its creditors. A member's liability is limited to the unpaid part (if any) of the issue price of its units. A member has no liability to the creditors of CPFL. However, the effectiveness of such provisions has not yet been tested in superior courts.

CPFL is entitled to be indemnified by a current or former member to the extent CPFL incurs any liability for tax as a result of an act or omission requested by the member.

13.3.8 Powers

Subject to the constitution of a Trust, CPFL has all the powers it would have if it were the absolute owner of the assets of the Trust. CPFL may appoint delegates or agents to perform any act or exercise any power CPFL can in relation to a Trust.

Summary of Important Documents

13.3 Fund Constitutions (continued)

13.3.9 Rights, limitation of liability and indemnity of CPFL

CPFL may hold units in a Trust and deal with itself in any capacity.

Without limiting its liability under the Corporations Act, if CPFL acts in good faith and without gross negligence, CPFL is not liable in contract, tort or otherwise to members for any loss suffered in any way relating to a Trust and will not be liable to members to any greater extent than the extent to which it is entitled to be and is indemnified for such liabilities out of the Trust's assets.

CPFL is to be indemnified out of a Trust's assets for any liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust. This indemnity continues after CPFL retires or is removed as Responsible Entity of the Trust.

13.3.10 CPFL's fees and expenses

CPFL is entitled to be paid management fees from the assets of each Trust as described in Section 12. Where permitted by the Corporations Act, CPFL is also entitled to be paid or reimbursed from the assets of a Trust on a full indemnity basis for all expenses and liabilities which it may incur in connection with the Trust or in performing its obligations or exercising its powers under the relevant Constitution.

13.3.11 Termination and winding up

A Trust terminates on the earlier of:

- the day before 80 years after the Trust was established;
- the date determined by CPFL;
- the date specified in an extraordinary resolution of members of the Trust; and
- the date on which the Trust terminates in accordance with the Constitution, a court order or by law.

On winding up, after liquidating the Trust's assets, and paying the expenses of winding up and all fees, expenses and liabilities of the Trust, CPFL must distribute the balance to members in proportion to the number of units held in the Trust.

13.3.12 Amendment

Subject to the Corporations Act, CPFL may amend the Constitution of a Trust by deed if it reasonably considers the amendment does not adversely affect the rights of members or if authorised by a special resolution of members.

13.3.13 Stapling

While stapling applies, a unit in one Trust is Stapled to a unit in the other Trust (together comprising a Stapled Security) and there must be no dealings in relation to a unit in a Trust unless there is an identical dealing by the same parties with each unit in the other Trust to which the unit is stapled. This includes, but is not limited to, the sale or issue of units, a

consolidation, subdivision or cancellation of units and the transfer of units.

CPFL may declare by written notice that units in a Trust are stapled to any units in one or more other managed investment schemes. CPFL may declare that stapling ceases to apply to some or all units in a Trust. Members may, by special resolution, determine that stapling will cease to apply to some or all units in a Trust.

13.3.14 Small holdings

If CPFL determines that a member is a holder of units the aggregate value of which at the relevant date is less than a marketable parcel (as provided under the Listing Rules), CPFL may give a notice to the member to notify the member that CPFL intends to sell the relevant units in accordance with the Constitution after the end of the relevant period specified in the notice ("Relevant Period"). The member may at any time before the end of the Relevant Period notify CPFL in writing that the member desires to retain the relevant units and if the member does so CPFL will not be entitled to sell the relevant units under that notice. If the member does not notify CPFL, at the end of the Relevant Period CPFL is entitled to sell on-market (or in any other way determined by CPFL) the relevant units.

13.4 Debt Facility

National Australia Bank Limited (**the Bank**) has provided a credit and pricing approved terms sheet to provide CPFL with the Debt Facility. The Debt Facility will only be available on finalisation and execution of financing documents and satisfaction of each condition precedent in the financing documents. The execution of binding documentation and the satisfaction of all conditions in relation to the Debt Facility is a condition precedent to the Offer.

The Fund may use this Debt Facility:

- to assist with the acquisition of the New Properties;
- to refinance the existing debt of the Fund;
- to assist in funding future acceptable acquisitions; and
- for capital expenditure on the Portfolio or for costs associated with leasing the Portfolio.

In addition to the summary below, the Debt Facility documents will contain such other provisions as the Bank considers necessary or appropriate.

13.4.1 Debt Facility expiry

The expiry date of the Debt Facility is 31 December 2019.

13.4.2 Conditions precedent under the Debt Facility

Once the Debt Facility is documented, the availability of funds will be subject to a number of conditions precedent. CPFL considers these conditions to be customary and usual for a financing of this nature, including but not limited to:

- provision of property valuation reports to the Bank;
- evidence of satisfactory insurance arrangements;

- provision of legal opinions in relation to the enforceability of all facility documentation and property documentation;
- satisfactory legal and commercial review of all relevant documents at the discretion of the Bank;
- an acceptable interest rate hedging strategy being in place;
- compliance with covenants; and
- any other conditions precedent usual or appropriate for a facility of this nature and as required by the Bank or their legal advisor.

13.4.3 Events of default

The Debt Facility will contain certain events of default which CPFL considers customary and usual for a financing of this nature. These events include but are not limited to:

- cross default, including in respect to the guarantor (being the Custodian as custodian);
- failure to pay;
- insolvency, administration, enforcement against assets in respect of any of the principal parties/vehicles to the financing;
- breach of any covenants, financial covenants and undertakings;
- breach of any of the representation or warranties;
- material adverse change;
- default or breach under any of the Properties, transaction or financing documents;
- misrepresentation;
- termination or vitiation of a material lease;
- judgment against the borrower;
- change of sponsor or fund manager without the Bank's prior written consent;
- change of control; and
- such other events of default the Bank consider usual and are customary, or recommended by the Bank's legal advisors for a facility of this type.

13.4.4 Undertakings and financial covenants

The Debt Facility will contain such undertakings from the borrower as the Bank considers appropriate or customary for a facility of this nature, including but not limited to:

- not to create or allow to exist any encumbrance or security interest over the Properties without prior written consent of the Bank;
- no further indebtedness, actual or contingent, in relation to the Properties without the prior written consent of the Bank; and
- net sales proceeds from divestments to be applied to the Debt Facility (noting that the facility is revolving and net sales proceeds will be available for redraw subject

to compliance with the terms and conditions of the Debt Facility).

In addition, the Debt Facility documentation will include all usual or appropriate financial covenants the Bank considers appropriate for a facility of this nature, including, but not limited to:

- maximum 50% Loan to Value Ratio (LVR), defined as the amount outstanding under the Debt Facility divided by the as-is market value of the Properties, based on the most recent valuation accepted by the Bank;
- minimum interest cover of 2.0 times, calculated as actual net rental income from secured properties over the preceding 12 months divided by all finance charges arising from the Debt Facility over the preceding 12 month period;

13.4.5 Security

The Debt Facility will be secured by securities the Bank considers appropriate will include, but will not be limited to the following:

- First ranking registered mortgage over the Portfolio;
- General security agreement over all the assets and undertakings of the borrower and the guarantor (being the Custodian as custodian);
- Guarantee and indemnity over the Debt Facility given by the guarantor (being the Custodian as custodian);
- ISDA master agreement; and
- Other security considered necessary or appropriate by the Bank or recommended by the Bank's legal advisors reflecting the nature of the Debt Facility.

13.5 Underwriting Agreement⁶⁷

CPFL and the Bookrunners have entered into an Underwriting Agreement in respect of the Offer. Under the Underwriting Agreement, the Bookrunners have been appointed as joint bookrunners, joint lead managers and underwriters to the Offer (excluding the Stapled Securities the subject of the Subscription Agreement, details of which are set out in Section 13.8).

13.5.1 Underwriting conditions

The underwriting obligations of the Bookrunners are subject to a number of conditions, including the regulatory approval and relief referred to in sections 15.1 and 15.2 not being withdrawn prior to settlement (except where not materially adverse to the Offer), the other agreements summarised in section 13 not having been terminated or amended before settlement and the execution of documentation in relation to the Debt Facility.

Notes:

(67) The Underwriting Agreement is dated 7 November 2014.

Summary of Important Documents

13.5 Underwriting Agreement⁶⁷ (continued)

13.5.2 Fees and expenses

CPFL must pay to the Bookrunners:

- an underwriting fee of 2% of the amount to be raised under the Offer (excluding the 9,975,000 Stapled Securities the subject of the Subscription Agreement, details of which are set out in Section 13.8), in their respective proportions; and
- a financial advisory fee totalling \$1.2 million.

CPFL may also pay to the Bookrunners out of the gross Offer proceeds an incentive fee of up to \$430,000. Such fee is payable at the discretion of CPFL acting reasonably and in good faith having regard to the performance of the Bookrunners and key delivery objectives and the success of the Offer.

The total fees payable to the Bookrunners shall not exceed \$3.45 million.

CPFL must also reimburse the Bookrunners for their reasonably incurred costs in connection with the Offer, including legal fees and disbursements, bookbuild expenses, travel expenses and stamp duty or similar taxes payable in respect of the Underwriting Agreement.

13.5.3 Representations, warranties and undertakings

CPFL gives various representations and warranties to the Bookrunners, including that this PDS and associated Offer documents comply with the Corporations Act and the Listing Rules. Each of the Bookrunners and CPFL also provide a number of customary warranties, including as to the validity of their incorporation and authority to enter into and comply with the Underwriting Agreement.

CPFL has given various undertakings as to compliance with law and the conduct of its business and has undertaken not to allot or agree to allot, or indicate that it may or will allot any Stapled Securities or other interests in the Fund until 90 days after the issue of Stapled Securities under the Offer.

13.5.4 Indemnity

Subject to certain exclusions including recklessness, gross negligence or fraud of the indemnified party, CPFL indemnifies the Bookrunners against all losses or claims incurred in connection with the Offer or the Underwriting Agreement including as a result of, amongst other things:

- the distribution of this PDS and the making of the Offer and the conduct of the bookbuild; or
- CPFL breaching its obligations under the Underwriting Agreement.

13.5.5 Termination events

At any time until on or before Allotment, a Bookrunner may terminate its obligations under the Underwriting Agreement

on the occurrence of certain termination events (subject to different time limits for some termination events). These include where:

- in the reasonable opinion of either Bookrunner, any material statement in this PDS or other Offer documents does not comply with the Corporations Act;
- CPFL issues or, in the reasonable opinion of a Bookrunner, is required to issue, a supplementary product disclosure statement for the purpose of section 1016E of the Corporations Act and fails to do so in accordance with the Underwriting Agreement (which requires, amongst other things, that it is in a form and substance approved by the Bookrunners acting reasonably) or lodges a supplementary product disclosure statement (other than in accordance with the Underwriting Agreement);
- at any time either of the S&P/ASX200 index or the S&P/ASX200 A-REIT index falls to a level that is 90% or less of its level as at the close of trading on the date of the Underwriting Agreement and is at or below that level at the close of trading for at least three consecutive business days prior to the settlement date or on the business day immediately prior to, either the settlement date or Allotment;
- there are not, or there ceases to be, reasonable grounds in the reasonable opinion of either Bookrunner for any statement or estimate in this PDS or other Offer documents which relate to a future matter;
- approval is refused (or granted subject to conditions other than customary conditions) for the listing of the Fund or quotation of all of the Stapled Securities on ASX or if granted, approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- CPFL withdraws this PDS or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- the Fund or any other entity within the group becomes insolvent or there is an act or omission likely to result in such insolvency;
- any event specified in the timetable for the Offer up to and including the settlement date is delayed by more than two business days (other than any delay agreed between CPFL and the Bookrunners);
- CPFL is prevented from allotting and issuing any of the Stapled Securities under the Offer within the time required by the timetable or otherwise; or
- a director of CPFL is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act.

A Bookrunner may also terminate its obligations under the Underwriting Agreement, on the occurrence of certain termination events, if the Bookrunner has reasonable grounds to believe that the event has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer or will, or is likely to, give rise to the Bookrunner contravening any applicable law or a material liability of the Bookrunner. These include where:

- any of the agreements summarised in Section 13 or any contract material to the Fund is, amongst other things,

terminated, amended without the Bookrunners' consent, breached or rendered void or voidable;

- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Fund; or
- there occur certain changes of law or specified hostilities or disruptions in certain financial markets.

If a Bookrunner terminates the Underwriting Agreement, that Bookrunner will not be obliged to underwrite any part of the Offer and the other Bookrunner may, at its election, assume the obligations and receive the fees of the terminating Bookrunner.

13.6 Contracts for sale of land

The Custodian has entered into contracts in respect of the acquisition of the New Properties.

Each contract for sale of land sets out the terms and conditions of the acquisition of the relevant property. The contract is comprised of (among other things) the standard form contract prepared by The Law Society of New South Wales and the Real Estate Institute of New South Wales (2005 edition) in relation to the property located in New South Wales and the standard commercial conditions for commercial land and buildings (a standard form contract prepared by The Law Society of Queensland) in relation to the properties located in Queensland. For each contract the standard terms have been amended, replaced or supplemented "by special conditions" negotiated and agreed by the vendor and CPFL.

Under each contract for sale of land, the vendor agrees to sell to the Custodian and the Custodian agrees to buy the relevant property.

(a) Completion

Although the completion date is stated as 3 December 2014, the completion date can be extended by the Custodian for no more than 21 days for an additional payment that will form a part of the deposit.

(b) Purchase price

The purchase price for the New Properties is:

- \$16,118,000 for 13 Ferndell Street, Granville, New South Wales;
- \$33,400,000 for 555 Coronation Drive, Toowong, Queensland; and
- \$22,172,000 for 149 Kerry Road, Archerfield, Queensland.

All prices exclude GST and are not intended to be subject to GST. The purchase price is subject to various adjustments which will take place on the settlement of the property under the terms of the contract.

The contracts contain standard adjustments clauses whereby the vendor is entitled to rent up to and including the date of completion and the purchaser is entitled to rent on and from the day after the date for completion.

(c) Condition

Each contract is subject to and conditional on the Listing. The purchaser must use its best endeavours to satisfy the condition.

(d) Subject to existing tenancies

Each property is sold subject to all existing tenancies. This means that from the date for completion, the purchaser must perform the terms and conditions of any existing lease between the relevant vendor and the tenants of the property on the part of the lessor.

13.7 Artarmon lease

13.7.1 Lease

The Fund, as tenant, holds a lease of the property at 44 Hampden Road, Artarmon, from Artarmon Masonic Hall Company Limited, as landlord, terminating on 21 March 2114.

13.7.2 Rent and expenses

The current rent is \$44,000 per annum (increasing annually to the lower of CPI review and a 17.5% fixed increase). The tenant is responsible for operating expenses including all rates, charges, taxes, insurance, services, maintenance and management costs.

13.7.3 Assignment of lease

The tenant may assign, transfer, sublet, part with possession or grant any licence of the premises without the landlord's consent (except for a sublease for a term exceeding 20 years). The tenant must pay any costs, charges and expenses incurred by the landlord in connection with any such dealing.

13.7.4 Landlord's termination rights

The landlord may require the tenant to sell its leasehold interest at the best price obtainable in certain circumstances, including rent being unpaid for more than 30 days after the due date, failure to comply with the terms of the lease for more than 30 days after receipt of notice from the landlord and an event occurring entitling the holder of a charge over the whole or any part of the tenant's assets to require immediate payment of money secured.

Where no valid contract has been entered into after 6 months of the sale notice from the landlord, the tenant must arrange a public auction and if not sold and assigned at auction, the landlord may terminate the lease. On termination or assignment, the landlord would be entitled to payment of loss, damages and expenses arising from the default. The landlord is required to give the tenant's mortgagee at least one month's prior written notice of its intention to terminate the lease and the mortgagee may within 1 month elect to purchase the lease.

Summary of Important Documents

13.7.5 Damage or destruction

If the building (or part thereof) is damaged or destroyed, such that the premises are substantially unfit for use and occupation or the tenant is deprived of substantial use of the premises, either party may terminate the lease. However, the landlord is not entitled to terminate the lease if the tenant elects not to terminate the lease and the tenant must then restore the building at its own cost. The proceeds of any insurance claim are to be paid to the tenant.

13.7.6 Right of first refusal

The tenant has a right of first refusal to purchase (or to nominate a person to purchase) the premises at a price stated by the landlord. If the tenant or nominee does not purchase the premises within 3 months from the date of a notice from the landlord, the landlord may sell the premises to a third party within 6 months after the end of the offer period at a price not less than and on terms no more favourable than, the price and terms offered to the tenant.

13.7.7 Redevelopment

The tenant may redevelop the premises at any time provided it gives notice to the landlord, together with the plans and specifications, and commences the redevelopment within 12 months of the notice. The landlord is only entitled to refuse approval of the plans and specifications in respect of the external and internal finishes of the building and/or the location of the building within the boundaries of the land.

13.7.8 Leaseback

The landlord is entitled to a sublease of part of the premises, on the ground level, expiring the day before expiration of the lease, without payment of rent. The sublease is registered on title.

13.8 Subscription Agreement

Under the Subscription Agreement, Centuria has agreed to subscribe for, or procure that it and associates of Centuria in aggregate subscribe for 9,975,000 Stapled Securities at the Offer Price with the intention that Centuria and associates of Centuria would hold up to 19.9% of the total Stapled Securities on issue at Allotment. However, Centuria may procure Eligible Centuria Investors nominated by CPFL to take up such number of these Stapled Securities as agreed by CPFL and the Bookrunners. CPFL has agreed to issue such Stapled Securities in accordance with the agreement. Completion of the subscription is conditional on the Underwriting Agreement not having been terminated, and CPFL not having withdrawn the Offer, as at 8.00am (AEDT) on Allotment.



14 Mars Road, Lane Cove

14.1 Corporate governance

The Board is responsible for the overall corporate governance of CPFL and the Fund, including implementing appropriate policies and procedures in order for CPFL to fulfil its functions effectively and responsibly. The Board recognises the role and importance of good corporate governance and is committed to high standards of compliance. CPFL's corporate governance framework is supported by the Board determining appropriate corporate governance arrangements for CPFL and the Fund and the ongoing monitoring of those arrangements.

The Listing Rules require listed entities to disclose in their annual reports the extent of their compliance with the ASX Guidelines, released by the ASX Corporate Governance Council. They must also explain why they have not adopted a particular ASX Guideline, if they consider it to be inappropriate to do so in their particular circumstances. The ASX Guidelines encompass matters such as Board composition, committees and compliance procedures and are designed to maximise corporate performance and accountability in the interests of investors and the broader economy. The Fund will be required to report its compliance against the ASX Guidelines on an ongoing basis in its annual report. This section identifies those ASX Guidelines that are not appropriate for the Fund given its externally managed structure. Apart from those areas identified below, the Board does not anticipate that it will depart from the ASX Guidelines. However, it may do so in the future if it considers that such departure would be reasonable.

The key elements of the Fund's corporate governance framework are set out below.

14.1.1 Board roles and responsibilities

Under the CPFL Board charter, it is the function of the Board to oversee development of the long term growth and strategy of the entities managed by CPFL. In performing its functions in respect of the Fund, the Board will endeavour to ensure that the business of the Fund is effectively managed in accordance with high standards of corporate governance and applicable laws.

Some of the key responsibilities of the Board are to:

- establish the strategic direction for the Fund;
- set objectives, goals and strategic direction;
- approve and monitor progress of major capital expenditure, capital management, acquisitions and divestments;
- monitor the implementation of the highest business standards and codes of ethical behaviour;
- oversee the effective management and control of CPFL;
- oversee the effectiveness of risk management and compliance within the Fund; and
- ensure adequate processes and controls are adopted to ensure the integrity of financial accounting, financial records and reporting.

14.1.2 Board committees

The Board may establish formally constituted committees and may delegate any of its powers to a committee or committees.

Audit, Risk Management and Compliance Committee

The Board has established an Audit, Risk Management and Compliance Committee ("**ARMCC**") to assist the Board in overseeing the integrity of the Fund's financial reporting, internal financial controls, financial procedures and policies and the independence of external auditors.

The ARMCC is also responsible for overseeing the Fund's compliance and risk management frameworks and assessing risks arising from the Fund's operations and considering the adequacy of measures taken to moderate those risks.

The ARMCC reports to the Board on all matters relevant to the ARMCC's role and responsibilities and ensures that the Board is aware of matters which may significantly impact the financial condition or affairs of the Fund.

The key roles and responsibilities of the ARMCC include reviewing:

- the financial reporting processes;
- the system of internal financial controls;
- the audit process ensuring that systems and procedures are in place for the Fund's compliance with relevant statutory and regulatory requirements; and
- assessing risks arising from the Fund's operations and considering the adequacy of measures taken to moderate those risks.

The Charter of the ARMCC requires a minimum of three members of the ARMCC all of whom must be non-executive directors, with a majority being independent directors. The chairperson is an independent director appointed by the Board who is not the Chairman of the Board. The ARMCC will meet with external auditors where appropriate from time to time to review the existing external audit arrangements and the scope of the audit.

Further information on the ARMCC is provided on the Fund's website accessible at www.centuria.com.au.

14.1.3 Constitutions and compliance plans

The Fund comprises two registered managed investment schemes and the rights and obligations of CPFL as Responsible Entity of the Fund and Investors are governed by the Constitutions and the Corporations Act.

As the Responsible Entity of the Fund, CPFL must comply with all obligations set out in the Constitutions and the Corporations Act. CPFL is also subject to duties including duties to act in the best interests of the Investors, act honestly, exercise care and diligence, and treat Investors of the same class equally. In order to facilitate compliance with the Constitutions and the Corporations Act, CPFL has adopted the compliance plans which set out the key processes CPFL will apply in operating the Fund.

Corporate Governance Policies

14.1 Corporate governance (continued)

14.1.3 Constitutions and compliance plans (continued)

You can inspect a copy of the Constitutions and the Compliance Plans at the offices of Centuria at any time between 9.00am and 5.00pm (AEDT) on a business day in Sydney, New South Wales. Alternatively, a copy of the documents may be requested (to be provided free of charge), by contacting the Investor Relations Team by telephone on +61 2 8923 8923 or email to enquiries@centuria.com.au.

14.1.4 Continuous disclosure and Investor communication policies

CPFL is committed to promptly communicating relevant material information about the Fund to Investors and complying with the Fund's continuous disclosure obligations to the market pursuant to the Listing Rules and the Corporations Act.

The Board has established a continuous disclosure policy to assist the Board in discharging the Fund's continuous disclosure responsibilities in a timely and efficient manner. The continuous disclosure policy sets out guidance, procedures and key responsibilities for compliance with the continuous disclosure obligations.

The company secretary has principal responsibility for managing CPFL's continuous disclosure policy and communicating with the ASX. The Board has also established a Continuous Disclosure Committee to assist in and the company secretary with the discharge of CPFL's continuous disclosure obligations.

CPFL will also design a communications policy for promoting effective communication with Investors and encourage their participation at general meetings. CPFL will use the Fund's website to assist it in keeping Investors fully informed on important matters concerning the Fund.

A summary of both the continuous disclosure and Investor communications policies will be available on the Fund's website accessible at www.centuria.com.au.

14.1.5 Directors' and employees' securities trading policy

The Board has a formal code to regulate dealings in Stapled Securities by the Board and senior executives and employees of Centuria and their associates that are responsible for managing the Fund. This policy is designed to ensure fair and transparent trading in accordance with both the law and best practice.

14.1.6 Conflicts

CPFL recognises its responsibilities in relation to conflicts of interest and related party transactions and has a conflicts of interest policy in place that governs the way in which CPFL manages such transactions or conflicts.

Through the application of this policy, CPFL is committed to:

- identifying and monitoring all potential conflicts of interest;
- avoiding conflicts of interests wherever this is the only way to properly protect Investors' interests;
- taking appropriate steps to ensure the fair treatment of the Fund and all Investors potentially impacted by the conflict; and
- dealing in an open manner and disclosing its conflicts of interest wherever this is likely to be relevant to Investors.

CPFL has engaged Centuria Property Services, a wholly owned subsidiary, to provide property management, development management and facilities management services in respect of various properties in the Fund. See sections 12.2, 13.1 and 13.2 for further information. Centuria Property Services was chosen by CPFL to provide these services due to its considerable experience as a specialist property consultancy and property manager. Centuria Property Services holds a real estate licence and supervises an extensive portfolio of commercial, industrial and retail properties. The appointment of Centuria Property Services is on commercial arms' length terms and will be subject to regular review.

CPFL considers that the level of expertise and experience brought by Centuria Property Services to the management of the relevant properties is an asset to the Fund.

14.1.7 Code of conduct

The Board has adopted the code of conduct of Centuria which applies to the directors and employees and sets out how CPFL expects directors and employees to conduct themselves. The code of conduct sets expectations for the maintenance of standards of honesty, integrity, care, diligence and fair dealing by directors and employees in the performance of their duties and responsibilities in relation to the Fund.

A copy of the code of conduct is available on the Fund's website accessible at www.centuria.com.au.

14.1.8 Risk management policy

CPFL has adopted a risk management policy and framework which assists CPFL to achieve the Fund's objectives through thorough and competent strategic decision making.

Through the risk management policy and framework, CPFL's risk management internal control system incorporates the guidelines described in the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009).

The Board has ultimate responsibility for overseeing the risk management framework and for approving and monitoring compliance with the framework. CPFL's risk management process requires Centuria's senior management team to regularly appraise the risks relating to the operation and activities of the Fund. In addition, CPFL's risk management process also comprises a formal comprehensive risk review. Centuria's senior management team will measure the risks which have been identified, rate and prioritise them in terms of their impact on the Fund. The implementation of mitigating

controls for key risks will be a priority and risk management weaknesses will be remedied as soon as practical or possible. Results of the annual review will be provided to the Board and relevant sub-committees for review.

Further information on CPFL's risk management framework is available on the Fund's website accessible at www.centuria.com.au.

14.1.9 Other committees recommended by the ASX Guidelines that are not appropriate for the Fund

The ASX Guidelines also require the establishment of a diversity committee. However, given CPFL and the Fund will have no executives and will be managed externally, CPFL does not intend to establish a diversity committee for the Fund. Accordingly, the ASX Guidelines relating to diversity are not relevant for the Fund.



1 Richmond Road, Keswick

Additional Information

15.1 ASX waivers and confirmations

CPFL has sought certain in principle waivers/confirmations from/of a number of Listing Rules as follows:

- confirmation that, in ASX's view, for the purposes of Listing Rule 3.1, disclosure by one Trust on behalf of the other Trust satisfies the disclosure obligations for each Trust;
- customary stapling waivers in relation to Listing Rules 1.1 (Condition 7), 2.1 (Condition 2), 8.10 and 10.1 to allow the Fund to be treated as a single stapled economic entity; and
- waiver of Listing Rule 6.24 in respect of compliance with Appendix 6A to the extent necessary that the rate and amount of a distribution on the date the record date is announced need not be advised to ASX on the basis that an estimated distribution rate and amount are advised to ASX on that date and the actual rate and amount are advised to ASX as soon as it becomes known.

15.2 ASIC relief

CPFL has sought from ASIC customary stapling relief from the Corporations Act modifying Part 5C.2 (so CPFL may have regard to the interests of Investors as a whole rather than their interests solely as members of a Trust), Part 5C.7 (related party transactions) and Part 7.9 (in relation to applying distributions in respect of a component of a Stapled Security to apply for Stapled Securities and the operation of a single application monies account).

15.3 Litigation and claims

Neither CPFL nor the Fund is a party to any current litigation material to the financial standing of CPFL or the Fund and the Directors have no such knowledge of any such potential litigation.

15.4 Labour standards and environmental, social or ethical considerations

CPFL as the Responsible Entity of the Fund does not directly take labour standards or environmental, social or ethical considerations into account for the purpose of selecting, retaining or realisation of investments for the Fund. However, sometimes these matters do indirectly affect the economic factors upon which investment decisions are based.

15.5 Related party transactions

The Offer and the ongoing management of the Fund's assets involve a number of related party transactions, including under the various Management Services Agreements and a Development and Project Management Services Agreement.

CPFL is a related party of Centuria Group for the purposes of Chapter 2E of the Corporations Act. CPFL, in its capacity as responsible entity of the Fund, will have an ongoing relationship with a number of entities in the Centuria Group as set out in agreements including:

- the Development and Project Management Services Agreement; and
- Management Services Agreements.

Each of these agreements currently in place is summarised in Section 13 and the fees payable are described in Section 12.

Centuria and its associates including members of the board and management will have an investment in the Fund of up to 19.9% of Stapled Securities at Allotment in accordance with the Subscription Agreement, with the level to be determined by CPFL as agreed with the Bookrunners. See Section 13.8 for a summary of the Subscription Agreement. The Centuria Group will not receive a fee from either the Bookrunners or the Fund in connection with any Application it may make under the Offer.



14 Mars Road, Lane Cove

15.6 Consents

The persons listed in the table below have given and have not, before the lodgement of this PDS with ASIC, withdrawn their written consent to:

- be named in this PDS in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this PDS; and
- the inclusion of other statements in this PDS which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of person	Named as	Report or Statement
UBS AG, Australia Branch	Joint bookrunners, joint lead managers and underwriters	
CIMB Capital Markets (Australia) Limited	Joint bookrunners, joint lead managers and underwriters	
National Australia Bank Limited	Co-lead managers	
Shaw Stockbroking Limited	Co-lead managers	
KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd	Investigating Accountant	Investigating Accountant's Report in section 7
KPMG	Taxation Adviser	Taxation Report in section 11
KPMG	Auditor	
Colliers International	Valuer	Valuation Summaries in section 8
DTZ	Valuer	Valuation Summaries in section 8
Jones Lang LaSalle	Valuer	Valuation Summary in section 8
Knight Frank	Valuer	Valuation Summary in section 8
Jones Lang LaSalle	Valuer	Independent market report in section 4
Henry Davis York	Legal Adviser	
Computershare Investor Services Pty Ltd	Registry	
National Australia Bank Limited	Lender	
Australian Executor Trustees Limited	Custodian	

None of the persons referred to above has made any statement that is included in this PDS or any statement on which this PDS is based, other than any statement or report included in this PDS with the consent of that person as specified above. Each of the persons referred to above:

- has not authorised or caused the issue of this PDS, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this PDS; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS other than references to its name or a statement or report included in the PDS with the consent of that person as specified above.

Each Director has given and has not, before lodgement of this PDS with ASIC, withdrawn their consent to be named in this PDS as a director in the form and context in which they are named and for the statements made by and on behalf of them to be included in this PDS. Each Director as at the date of this PDS has consented to the lodgement of this PDS with ASIC.

Additional Information

15.7 FATCA

The Foreign Account Tax Compliance Act (**FATCA**) is a US tax law which was enacted in 2010 for the purpose of improving tax information reporting regarding US persons in respect of their offshore investments to the United States Internal Revenue Service (**IRS**).

On 28 April 2014, an Inter-Governmental Agreement (**IGA**) was signed between Australia and the US to facilitate the implementation of FATCA by Australian financial institutions. As a result, the Fund has been registered with the IRS as a Reporting Australian Financial Institution for FATCA purposes.

In order to comply with FATCA requirements, CPFL:

- may require investors to provide certain information regarding their identification and will undertake certain due diligence procedures with respect to investors of the Fund to determine their status for FATCA reporting purposes. This information may be required at the time an application is made for the issue of Stapled Securities in the Fund or at any time after the Stapled Securities have been issued; and
- will report annually to the IRS, via the Australian Taxation Office, in relation to relevant Investors' financial information required by the Australian Taxation Office (if any) in respect of any investment in the Fund.

Accordingly, by making an application to invest in the Fund prospective investors agree to provide CPFL with certain identification and related information in order to enable it to comply with its obligations in connection with FATCA.

15.8 Personal information

By filling out an Application Form to apply for Stapled Securities, you are providing information to CPFL through the Registry that may be personal information for the purposes of the Privacy Act 1988 (Cth) (as amended). CPFL and the Registry on its behalf, collect, hold, use and disclose that personal information in order to process your Application, service your needs as an Investor, provide facilities and services that you request, inform you about other products and services offered by CPFL or other entities in the Centuria Group, carry out appropriate administration and as otherwise required or authorised by law.

Your personal information may also be disclosed to and used by CPFL and other members of the Centuria Group for any of the above purposes.

Your personal information may also be disclosed to CPFL's agents and service providers involved with the administration of the Fund on the basis that they deal with such information in accordance with their respective privacy policies. These entities may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. This may include Canada, India, New Zealand, The Philippines, The United Kingdom and the United States of America. For this reason, CPFL will not take further steps to ensure that the overseas recipients do not breach the Australian Privacy Principles under the Privacy Act 1988 (Cth) (as amended) in relation to any personal

information disclosed to overseas recipients. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Bookrunners in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Fund's Investor base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Stapled Securities and for associated actions.

Your personal information may also be disclosed to regulators or other government agencies (including ASIC and the Australian Taxation Office), and the public by way of public registers maintained by regulators or other bodies.

If you do not provide the information requested in the Application Form, CPFL and/or the Registry may not be able to process or accept your Application, administer your Stapled Security holding and/or inform you about other products and services offered by CPFL or other entities in the Centuria Group.

Under the Privacy Act 1988 (Cth) (as amended), you may request access to your personal information held by (or on behalf of) CPFL. You may be required to pay a reasonable charge to the Registry in order to access your personal information. You can request access to your personal information by contacting the Privacy Officer by email at privacy@computershare.com.au. If any of your information is not correct or has changed, you may request it to be corrected.

You may also make a complaint regarding the handling of your personal information by CPFL or the Registry. CPFL's privacy policy contains information regarding the exercise of such rights in relation to access, correction and complaints. It also contains information about how we deal with complaints. You can obtain a copy of our privacy policy on request.

15.9 AML and CTF

CPFL is bound by laws about the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Act**) or AML/CTF Rules. By completing the Application Form, you agree:

- to provide to CPFL any information or documents which CPFL reasonably requests be provided in order for CPFL to comply with the AML/CTF Act or AML/CTF Rules. Information requested may include, identification checks and procedures, including, in relation to an individual investor's name, address and date of birth and for an investor that is a company, details of its directors and beneficial shareholders; and

- to the extent permitted by law, if CPFL forms the view (in its reasonable opinion), that it is required to disclose information in order to comply with the AML/CTF Act or AML/CTF Rules, such disclosure will not be a breach of any obligation or duty CPFL owes to investors and CPFL will not incur any liability to any investor in respect to such disclosure.

15.10 Dispute resolution process

CPFL has in place a dispute resolution process to assess and respond to customer concerns as quickly and efficiently as possible.

If you have a complaint about a product or service offered by CPFL, please contact the Investor Relations Team on +61 2 8923 8923. They will either try to resolve your complaint or put you in contact with someone who is better placed to resolve the complaint.

You may also write to CPFL at:

Centuria Property Funds Ltd: Complaints Resolution Process

Reply Paid 695
Melbourne VIC 8060

or email: compliance@centuria.com.au

Please provide the detail and reason for your complaint. CPFL will acknowledge the complaint in writing as soon as practicable and in any event within 14 days from receipt and report back to you as soon as practicable and in any event no more than 45 days after receipt.

CPFL is a member of the Financial Ombudsman Service Limited (FOS), an independent complaints resolution scheme approved by ASIC. If you are dissatisfied with CPFL's response to your complaint, you may contact the FOS. The FOS's contact details are:

Financial Ombudsman Service Limited

GPO Box 3
Melbourne VIC 3001

Telephone: 1 300 78 08 08

Email: info@fos.org.au

Please note that a complaint must first be submitted to CPFL's complaints handling process before it can be referred to Financial Ombudsman Service.

15.11 Custodian

CPFL has appointed Australian Executor Trustees Limited (Custodian) to provide custody services in respect of the Fund under a custodian agreement. The Custodian holds the assets of the Fund. Under the custodian agreement, the Fund indemnifies the Custodian for costs and expenses properly incurred in performing its obligations or duties under the custodian agreement. The Custodian may terminate the custodian agreement on 2 months prior notice to CPFL. The Custodian has no supervisory role in relation to the operation of the Fund and is not responsible for any investment decisions in the Fund or protecting your interests. The Custodian only acts in accordance with the custodian agreement.

15.12 Further information

Further information about CPFL and the Fund is available in electronic form from the Centuria website: www.centuria.com.au.

Glossary

Defined Term	Meaning
AEDT	Australian Eastern Daylight Time
AFSL	Australian Financial Services Licence as issued under the Corporations Act
Allotment	The date on which Stapled Securities in the Fund are allotted pursuant to the Offer, expected to be on 9 December 2014
Applicant(s)	A person who has applied for Stapled Securities under this PDS
Application	An application for Stapled Securities under the Offer described in this PDS
Application Form	Each of the paper and electronic application forms attached to, or accompanying, this PDS by which an Application may be made
Application Monies	The monies paid by an Applicant to apply for Stapled Securities under this PDS
ASIC	Australian Securities & Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates (i.e., the Australian Securities Exchange)
ASX Guidelines	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, revised in 2010
ATO	The Australian Tax Office
Australian Accounting Standards	The Australian Accounting Standards and other authoritative announcements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations
Board	The Directors of CPFL acting as a board
Bookrunners	UBS AG, Australia Branch (ABN 47 088 129 613) and CIMB Capital Markets (Australia) Limited ABN 17 000 757 111
Broker	Any ASX participating organisation selected by the Bookrunners and CPFL to act as a participating broker to the Offer
Broker Firm Offer	The Offer to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker
Broker Firm Offer Applicant	Any Applicant who has received a Broker Firm Offer
Broker Firm Application Form	The Application Form to be completed by Broker Firm Applicants
Broker Firm Offer Closing Date	The date on which the Broker Firm Offer will close, expected to be 3 December 2014
Capitalisation Rate	The return of a property or portfolio of properties calculated by dividing a valuer's assessment of the market level of net rent for a property or portfolio of properties by its assessed market valuation
Cash Out Facility	The opportunity provided to Existing Investors to exit their investment in the Fund
Centuria	Centuria Capital Limited ABN 22 095 454 336
Centuria Group	Centuria and its related bodies corporate, as defined in the Corporations Act
Centuria Investors	Eligible Centuria Shareholders at the Record Date and Eligible Centuria Fund Investors
Centuria Priority Offer	The Offer to Centuria Investors
Centuria Priority Offer Closing Date	The date on which the Centuria Priority Offer will close, expected to be 3 December 2014
Centuria Property Services	Centuria Property Services Pty Limited ABN 95 092 526 924
CHESS	Clearing House Electronic Subregister System, operated under the Corporations Act
Completion	The completion of the acquisition of the New Properties by the Fund
Constitution	The constitution of Centuria Metropolitan REIT No. 1 or Centuria Metropolitan REIT No. 2, as the context requires and Constitutions means the constitutions of Centuria Metropolitan REIT No. 1 or Centuria Metropolitan REIT No. 2
Corporations Act	The Corporations Act 2001 (Cth)

Defined Term	Meaning
CPFL	Centuria Property Funds Limited ABN 11 086 553 639 AFSL 231149
CPI	The All Groups Consumer Price Index, as issued by the Australian Bureau of Statistics as a general indicator of the rate of change in prices paid for consumer goods and services
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794
Debt Facility	The Fund's proposed revolving cash advance facility of up to the lesser of \$55 million and 50% of the assessed "as-is" market value, as described in Section 13.4
Development and Project Management Services Agreement	The Development and Project Management Services Agreement between the Custodian, CPFL and Centuria Property Services, as described in section 13.2
Directors	The directors of CPFL
Distributable Earnings	Net profit before tax (excluding transaction costs) adjusted for straight lining of rental income, rent free periods, gains or losses arising from movements in the fair value of investment properties, mark-to-market adjustments to derivatives and other non-cash items and the amortisation of lease incentives
Distributable Earnings Yield	The percentage rate of return calculated by dividing the Distributable Earnings per Stapled Security by the Offer Price
Distribution	The amount of income of the Fund payable to Investors in accordance with the Constitutions
Distribution Yield	The rate of return derived by dividing the Distribution per Stapled Security by the Offer Price
DRP	Dividend Reinvestment Plan
Eligible Centuria Fund Investor	An Australian resident investor in the Fund or past or present investor in any other fund of which CPFL is or was the Responsible Entity or trustee as determined by CPFL
Eligible Centuria Investors	Has the meaning given in section 10.5
Eligible Centuria Shareholder	An Australian resident shareholder of Centuria at the Record Date
Existing Assets	• 9 Help Street Chatswood • 1 Richmond Road Keswick • 14 Mars Road Lane Cove • 3 Carlingford Road Epping • leasehold interest in 44 Hampden Road Artarmon
Existing Investors	Investors in the Fund prior to the issue of Stapled Securities pursuant to the Offer
Financial Information	The financial information prepared by the directors of CPFL, contained in Section 6
Forecast Financial Information	The financial forecasts contained in Section 6.5
Forecast Period	The period from 1 December 2014 to 30 June 2016
Fund	Centuria Metropolitan REIT, comprising Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656
FUM	Funds under management
GAV	The gross value of the Fund's assets determined in accordance with the Constitutions
Gearing	The ratio of total interest bearing liabilities less cash divided by total tangible assets less cash
Gross Property Income	The rental income payable by a tenant to the Fund which includes any recovery of outgoings, storage, signage and car parking income
GST	Has the meaning given in the GST Act
GST Act	New Tax System (Goods and Services Tax) Act 1999 (Cth)
Initial Yield	The passing Net Operating Income of a property or portfolio of properties divided by the independent valuation of the property or portfolio of properties
Institutional Investor	A person to whom offers and issues of Stapled Securities may lawfully be made without the need for disclosure under Part 7.9 of the Corporations Act or without any lodgement, registration or approval with or by a government agency (other than one with which CPFL, in its absolute discretion, is willing to comply)

Glossary

Defined Term	Meaning
Institutional Offer	The invitation to Institutional Investors under this PDS to apply for Stapled Securities
Investigating Accountant	KPMG Financial Advisory Services (Australia) Pty Ltd
Investigating Accountant's Report	The report prepared by KPMG Financial Advisory Services (Australia) Pty Ltd referred to in Section 7
Investor	A registered holder of Stapled Securities
Joint Lead Managers	UBS AG, Australia Branch (ABN 47 088 129 613) and CIMB Capital Markets (Australia) Limited ABN 17 000 757 111
Listing	The admission to the Official List of Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656
Listing Rules	The listing rules of the ASX and other applicable rules of the ASX, as amended or replaced from time to time, except to the extent of an express written ASX waiver
Managed Investment Trust	A trust which is a managed investment trust as defined by Section 12-400 of Schedule 1 of the Taxation Administration Act 1953 (Cth).
Management Fee	The management fee charged by CPFL to the Fund
Management Services Agreement	A Management Services Agreement between the Custodian, CPFL and Centuria Property Services, as described in section 13.1
Material Adverse Change	An event or occurrence which CPFL reasonably considers will have a materially negative effect on the price or value of Stapled Securities
Net Lettable Area (NLA)	The total lettable floor area in square metres
Net Operating Income	The sum of rent payable by a tenant to the Fund under the terms of their lease less any direct property expenses and outgoings payable by the Fund
Net Tangible Assets or NTA	Total assets less any liabilities and less any intangible assets
New Properties	555 Coronation Drive Brisbane, 149 Kerry Road Archerfield and 13 Ferndell Street Granville
Offer	The offer of Stapled Securities under this PDS
Offer Period	The period from the date the Broker Firm Offer and Centuria Priority Offer open to the date the Broker Firm Offer and Centuria Priority Offer close
Offer Price	The price at which each Stapled Security is issued under this PDS, being \$2.00 per Stapled Security
Official List	The official list of the ASX
Officially Quoted	Admitted to quotation by the ASX under the Listing Rules
Portfolio	The five Existing Assets held by the Fund plus the three New Properties proposed to be acquired by the Fund following Allotment
Pro Forma Balance Sheet	Pro forma balance sheet as at Allotment as set out in Section 6.4
Pro Forma Forecast Distribution Statements	Pro forma forecast distribution statements for the period from 1 December 2014 to 30 June 2015 and for FY16 as set out in Section 6.5.2
Pro Forma Forecast Income Statements	Pro forma forecast income statements for the period from 1 December 2014 to 30 June 2015 and for the financial year ending 30 June 2016 (FY16) as set out in Section 6.5.1
Property	An asset which forms part of the Portfolio
Record Date	29 September 2014
Registry	Computershare Investor Services Pty Limited
REIT	Real Estate Investment Trust
Responsible Entity	The company named in ASIC's record of the scheme's registration as the responsible entity of a registered scheme
Retail Investor	An Australian resident investor who is not otherwise treated as a Sophisticated Investor or Institutional Investor
Sophisticated Investor	An Australian resident investor who is a wholesale client within the meaning of section 761G of the Corporations Act

Defined Term	Meaning
Stapling	The linking together of two or more securities so that one security may not be issued, transferred or otherwise dealt with without a corresponding and simultaneous issue, transfer or dealing with the other securities and in the context of quoted securities, means that they are quoted on the ASX jointly as a stapled security
Statutory Forecast Income Statements	Statutory forecast income statements for the year ending 30 June 2015 and FY16 as set out in Section 6.5.3
Subscription Agreement	The subscription agreement between CPFL and Centuria dated 7 November 2014 in relation to the subscription by Centuria and associates of Centuria for Stapled Securities
Transaction	A series of transactions or steps involving the following: • the consolidation of the Stapled Securities of Existing Investors (so that an Existing Investor would hold 1 Stapled Security post consolidation for every 3.9 Stapled Securities held pre consolidation, subject to rounding of fractional entitlements); • the execution of financing documents in relation to the Debt Facility and satisfaction of each condition precedent in the financing documents; • the completion of the equity raising under this PDS; • the redemption of Stapled Securities of Existing Investors who elected to exit their investment in the Fund under the Cash Out Facility; • the acquisition of the New Properties; • the reduction of the level of debt in the Fund contemplated in this PDS; and • the listing of the Fund on the ASX.
Trust	Centuria Metropolitan REIT No. 1 ARSN 124 364 718 or Centuria Metropolitan REIT No. 2 ARSN 124 364 656
Underwriting Agreement	The agreement between CPFL and the Bookrunners dated 7 November 2014 under which the Bookrunners have been appointed as joint bookrunners, joint lead managers and underwriters to the Offer (excluding 9,975,000 Stapled Securities the subject of the Subscription Agreement, details of which are set out in Section 13.8).
WALE	Weighted average lease expiry being the average time to expiry of each lease of the properties within the Portfolio weighted by the income or lettable area of those properties

Centuria Property Funds Limited (registered office)

Level 39, 100 Miller Street
North Sydney NSW 2060

Legal Adviser

Henry Davis York
44 Martin Place
Sydney NSW 2000

Joint Bookrunners, Joint Lead Managers and Underwriters**UBS AG, Australia Branch**

Level 16, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

CIMB Capital Markets (Australia) Limited

Level 29, 88 Phillip St
Sydney NSW 2000

Investigating Accountant

KPMG Transaction Services, a division of KPMG Financial
Advisory Services (Australia) Pty Ltd

10 Shelley St
Sydney NSW 2000

Taxation Adviser

KPMG
10 Shelley St
Sydney NSW 2000

Auditor

KPMG
10 Shelley St
Sydney NSW 2000

Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnson Street
Abbotsford Vic 3067

Offer Information Line

1300 721 463 (toll free within Australia) or +61 3 9415 4300
(outside Australia) between 8.30am and 5.30pm (AEDT)
Monday to Friday during the Offer Period

Offer website

www.centuriareitoffer.com.au

