



Australian Securities Exchange - Company Announcements Platform

Centuria Property Funds Limited

Centuria Metropolitan REIT

Sydney, 12 August 2015: Centuria Property Funds Limited ("CPFL") as Responsible Entity of Centuria Metropolitan REIT ("CMA" or the "Fund") (ASX code: CMA) is pleased to announce the financial results for CMA for the financial year ended 30 June 2015.

Key financial information for the period includes:

- > Statutory net profit of \$8.9 million¹;
- > Distributable earnings of \$9.7 million for the full financial year²;
- > Distributable earnings of \$8.2 million representing 10.5 cents per stapled security ("cpss") for the period since listing^{2,3};
- > Increase in total assets to \$330.0 million;
- > Net tangible assets ("NTA") of \$1.97 pss, an increase from \$1.91 pss at listing;
- > Gearing of 24.0 per cent⁴;
- > Weighted average debt expiry of 4.7 years;
- > Post 30 June 2015 the Fund's hedging profile is 99.3 per cent hedged through to debt maturity at a total interest cost of 4.0 per cent^{5,6};
- > Portfolio weighted average lease expiry ("WALE") of 4.8 years at 30 June 2015; and
- > Total return for the seven months since listing of 8.9 per cent⁷.

Since listing, to 30 June 2015 the Fund's distributable earnings were 10.5 cents per stapled security^{2,3} with quarterly distributions totalling 9.2 cents per stapled security, in line with previously issued guidance⁸.

Nicholas Blake, Trust Manager of CMA, said, "I am proud to present the Fund's inaugural annual results since listing on the ASX in December 2014. Through active management, the seven months since listing have seen an increase in the Fund's

NTA of six cents per stapled security with earnings and distributions in line with previously announced guidance.”

PORTFOLIO UPDATE

Asset Valuations

Asset valuations increased by \$11 million for the six months to 30 June 2015 for the initial portfolio of eight assets. This was primarily driven by increases in the value of 9 Help Street, Chatswood, NSW and 3 Carlingford Road, Epping, NSW. The total value of the Fund’s portfolio at 30 June 2015 was \$323.1 million.

At 9 Help Street substantial leasing success improved the asset’s rental profile through the early renewal of CH2M Hill over 1,815 square metres and new leases and renewals over a further 2,487 square metres. The stronger rental profile resulted in an uplift in value of \$5.5 million, representing a 12.8 per cent increase to \$48.5 million.

At 3 Carlingford Road management and the owners of the adjoining properties lodged a new draft master plan with Parramatta City Council to pursue a redevelopment of the Epping Town Centre. Expectation of a positive outcome and recent sales in the area have resulted in an uplift in valuation of \$4.5 million, representing a 27.0 per cent increase to \$21.0 million⁹.

The weighted average capitalisation rate for the portfolio was 8.43 per cent at 30 June 2015. During the course of the financial year 100 per cent of the Fund’s portfolio was subject to independent valuation¹⁰.

At 30 June 2015 the Fund’s NTA has increased to \$1.97 per stapled security and gearing has reduced to 24.0 per cent.

Mr Blake said, “The improvement in value at 9 Help Street and 3 Carlingford Road is a result of Centuria’s focus on delivering on its strategy. An active asset management philosophy has been applied to enhance portfolio income and unlock additional capital value from the Fund’s assets.”

Leasing & Occupancy

Since listing the Fund executed 12 leases across 5,116 square metres. This comprised 988 square metres of new leases and 4,128 square metres of renewals.

Initiatives designed to remove the near term expiry risk associated with the Fund’s asset at 9 Help Street have been successful. At acquisition the asset had a near

term expiry risk associated with the approximate 2,910 square metre CH2M Hill tenancy.

During the year management agreed with CH2M Hill to extend their lease over 1,815 square metres for a further three years from March 2016 at passing rents. In addition, management accepted a partial surrender of 1,090 square metres of space surplus to CH2M Hill's requirements in exchange for a surrender payment. Management has since successfully leased this entire area to a combination of new and incumbent tenants.

Post 30 June 2015, management has successfully secured additional lease commitments across a number of assets totalling 2,536 square metres, comprising 1,220 square metres of new leases and 1,316 square metres of renewals.

At 30 June 2015, the portfolio WALE was 4.8 years. Rental growth in the portfolio is supported by 92 percent of leases containing average fixed rental reviews of 3.6 per cent per annum.

Occupancy in the portfolio was 96.7 per cent at 30 June 2015.

Capital Transactions

Since listing, the Fund has completed four strategic acquisitions totalling \$129.3 million, funded through a combination of bank debt (\$29.3 million) and new equity raised via an entitlement offer (approximately \$100 million). The assets acquired were;

- > 54 Marcus Clarke Street, Canberra, ACT
- > 60 Marcus Clarke Street, Canberra, ACT
- > 131-139 Grenfell Street, Adelaide, SA
- > 35 Robina Town Centre Drive, Robina, QLD

Mr Blake said, "The four acquisitions reflect quality assets that position the Fund with a broader platform to support future growth. The assets provide a complementary mix of income streams from long term leases to high quality tenants and the potential to deliver additional capital value through leasing activity. This is particularly the case with the two Canberra assets which were acquired on a combined passing yield of approximately 8.5 per cent with approximately 76 per cent occupancy. We believe that a comprehensive lobby and street level refurbishment programme combined with active management will reposition the assets in the Canberra marketplace, substantially increasing the rental profile of the assets and in turn generating additional capital value. Fully leased, the assets are anticipated to have a passing yield in excess of ten per cent."

CAPITAL MANAGEMENT

Debt & Hedging

At 30 June 2015, the Fund had two secured domestic bank debt facilities totalling \$95.0 million with a weighted average expiry of 4.7 years. Drawn borrowings totalled \$84.6 million at 30 June 2015. Subsequent to 30 June 2015, the Fund entered into additional hedging arrangements taking the amount of debt hedged to 99.3 per cent at a total interest cost of 4.0 per cent through to maturity^{5,6}. The Fund's gearing as at 30 June 2015 was 24.0 per cent⁴.

Mr Blake added, "The Fund's low gearing and hedging profile reflect management's conservative capital management approach. Management will continue to target gearing below 30 per cent, however, will consider short term increases to selectively undertake strategic acquisitions that are beneficial to securityholders."

Distribution Reinvestment Plan ("DRP")

As previously announced on 18 June 2015, CMA will operate its DRP for eligible stapled securityholders who selected the DRP as their preferred distribution payment method for the quarter ending 30 June 2015.

CPFL advises that the issue price of stapled securities to be allocated under CMA's DRP is \$2.053 per stapled security¹¹.

The DRP participation rate for the 30 June 2015 period was approximately ten per cent, raising approximately \$0.5 million.

Stapled securities allotted under the DRP will be issued on the distribution payment date and will rank equally with existing ordinary stapled securities from the date of issue¹². The intended distribution payment date is 12 August 2015.

STRATEGY & OUTLOOK

Strategy

Management remains focussed on actively managing the Fund's portfolio with an emphasis on tenant retention to ensure income and occupancy are maximised. The Fund will pursue acquisitions that fit CMA's strategy and provide meaningful benefits to securityholders.

The Fund's objective is to own quality Australian office assets located in established suburban and fringe CBD markets, particularly those markets where competing supply is being withdrawn for alternate uses, and well located industrial, warehouse and business park assets with long dated leases to quality tenants.

The Fund seeks to acquire 'fit for purpose' Australian office and industrial assets with stable and secure income streams that can be further enhanced through active asset management and repositioning strategies. CMA continually assesses repositioning strategies that will deliver capital upside through the removal of leasing risk and subsequent income enhancement. This is in addition to initiatives involving asset refurbishment and enhancement, development planning and approvals, and zoning and use changes.

The Fund is focussed on the following key deliverables for FY16:

- > Leasing initiatives to reduce short term expiry risk and lengthen the WALE of the Fund's portfolio;
- > Finalise leasing programme at 9 Help Street, Chatswood, NSW;
- > Undertake lobby and street level refurbishments at 54 and 60 Marcus Clarke Street, Canberra, ACT in readiness for launching a renewed leasing campaign;
- > Progress draft master plan approval with Parramatta City Council to secure desired zoning to further enhance the value of the Fund's asset at 3 Carlingford Road, Epping, NSW;
- > Undertake lobby refurbishment and leasing initiatives in order to reposition 1 Richmond Road, Keswick, SA; and
- > Determine the viability of acquiring the freehold interest for the Fund's asset at 44 Hampden Road, Artarmon, NSW to unlock development potential.

Outlook

The Fund confirms distributable earnings guidance for FY16 of 17.9 cents per stapled security.

The Fund's distribution guidance for FY16 is 17.0 cents per stapled security in line with previously announced guidance. This equates to a distribution yield of 8.25 per cent on the 11 August 2015 closing price of \$2.06 per stapled security. Distributions will continue to be paid quarterly.

Mr Blake concluded, "The Fund is in an excellent position as it releases its first annual results. It has delivered on its forecasts and has acquired four new assets since listing which further improve and diversify the source of portfolio earnings. CMA is well positioned to deliver further capital appreciation as a result of our leasing and repositioning programme. With a highly engaged and experienced management



team, and the benefits afforded by Centuria's integrated property management platform, we believe CMA is on track to become a leading performer in the A-REIT sector."

CMA will be providing a market briefing at 2.30pm (AEST) today, 12 August 2015. The market briefing will be webcast via the website (www.centuria.com.au).

- Ends -

For more information or to arrange an interview, please contact:
Nicholas Blake **Shalome Mielewska**

Trust Manager

Centuria Metropolitan REIT
Phone: 02 8923 8949
Email: nicholas.blake@centuria.com.au

Investor Relations

Centuria Property Funds Limited
Phone: 02 8923 8962
Email: shalome.mielewska@centuria.com.au

About Us

Centuria Property Funds Limited (CPFL) which is a wholly-owned subsidiary of CNI, is the Responsible Entity for the ASX-listed Centuria Metropolitan REIT "CMA". CMA focusses on investing in office and industrial assets in metropolitan markets across Australia and holds a portfolio of assets valued at \$323 million diversified across Sydney, Brisbane and Adelaide.

CPFL has approximately \$1 billion of property under management in 13 unlisted property funds and 1 listed property fund.

Centuria Capital "CNI" is an ASX-listed specialist investment manager with \$1.7 billion in funds under management.

Additional Notes:

¹ Includes the financial results of the previous stapled group (being Centuria Metropolitan REIT No. 1 and Centuria Metropolitan REIT No. 2 formerly known as Centuria Diversified Property Fund) from 1 July 2014 – 9 December 2014 and Centuria Metropolitan REIT stapled group from 10 December 2014 to 30 June 2015.

² Distributable earnings is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The Directors consider that distributable earnings reflect the core earnings of the Fund.

³ Relates to the Centuria Metropolitan REIT stapled group for the period from 10 December 2014 to 30 June 2015.

⁴ Gearing is defined as interest bearing liabilities less cash divided by total assets less cash.

⁵ Includes amortised loan establishment costs of 10bps per annum.

⁶ The Trust entered into a 5 year swap at 2.55% on 9 July for an additional \$36 million of drawn debt.

⁷ Source: UBS Australia.

⁸ Distributable earnings guidance was restated on 29 April 2015 taking into account the timing impact from CH2M Hill at 9 Help Street and the entitlement offer.

⁹ 3 Carlingford Road was independently valued by CBRE as at 31 March 2015 and was disclosed to the market as part of the entitlement offer

¹⁰ Includes independent asset valuations undertaken at acquisition.

¹¹ In accordance with the DRP rules, the issue price is based on the 10 day volume weighted average price of CMA stapled securities for the 10 trading days from and including 3 July 2015.

¹² Under the DRP Rules, stapled securities issued will be rounded down to the nearest whole number with the residual amount carried forward to the next distribution.

Disclaimer:

Issued by Centuria Property Funds Limited Limited (ABN 11 086 553 639, AFSL 231 149) ('CPFL') as responsible entity of the stapled entities Centuria Metropolitan REIT No.1 (ARSN 124 364 718) and Centuria Metropolitan REIT No.2 (ARSN 124 364 656), collectively known as the Centuria Metropolitan REIT ('CMA' or the 'Trust').

All information is current as at the date of release to the Australian Securities Exchange (ASX). It should be read in conjunction with CMA's periodic and continuous disclosure announcements, which are available at www.centuria.com.au.

Information in this announcement is general information only and does not take into account any person's personal financial circumstances, objectives or needs. It is not an invitation or offer to buy or sell, or a solicitation to invest in, or refrain from investing in, securities in CMA or any other investment product.

Indications of, and guidance on, future earnings and the financial position and performance of Centuria Metropolitan REIT contained in this announcement are "forward looking statements". Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of CPFL that may cause results to differ materially from those expressed or implied in such statements. No representation is made to the accuracy of these statements and there can be no assurance that actual outcomes will not differ materially from such statements.

To the maximum extent permitted by law, CPFL and its related bodies corporate make no representation or warranty, express or implied, as to the accuracy, completeness, timeliness or reliability of the contents of this presentation. To the maximum extent permitted by law, CPFL does not accept any liability (including, without limitation, any liability arising from fault or negligence) for any loss whatsoever arising from the use of this announcement or its contents or otherwise arising in connection with it.