



Australian Securities Exchange - Company Announcements Platform

## Centuria Property Funds Limited

### CENTURIA METROPOLITAN REIT

#### ACQUISITION OF 50 PER CENT INTEREST IN 203 PACIFIC HIGHWAY, ST LEONARDS

**Sydney, 1 October 2015:** Centuria Property Funds Limited, the responsible entity ("CPFL" or "Responsible Entity") for the Centuria Metropolitan REIT ("CMA" or the "Fund"), today announces that the Fund has entered into an unconditional agreement to acquire a 50 per cent direct interest in 203 Pacific Highway, St Leonards ("203 Pacific Highway" or the "Property"). The Property is part of the Forum, a mixed use complex located above St Leonards railway station. CMA will pay \$43.0 million before costs for its 50 per cent interest in the Property, reflecting an initial yield of 8.0 per cent. Settlement is scheduled to occur on 7 December 2015.

Nicholas Blake, Trust Manager, said, "The acquisition of a 50 per cent interest in 203 Pacific Highway further strengthens the underlying security of the Fund's income with a mix of long term leases to high quality tenants. St Leonards is a key Sydney metropolitan location that is expected to benefit from a continuing reduction in competing supply."

The remaining 50 per cent direct interest in 203 Pacific Highway will be acquired by a newly established Centuria unlisted retail investor office property syndicate for the same consideration as that to be paid by CMA.

Mr Nicholas Collishaw, CEO Listed Property, said "The acquisition of 203 Pacific Highway by CMA and a Centuria unlisted property syndicate demonstrates the depth of Centuria's business, which can be leveraged to ensure a positive outcome for all investors across the listed and unlisted platform."

#### PROPERTY DETAILS

203 Pacific Highway is an A-Grade office building constructed in 2000 with a net lettable area (NLA) of 11,737sqm over 11 levels and 150 car parks. The Property is 100% occupied with a weighted average lease expiry (WALE) of 5.0 years (by NLA).



The key tenants include:

- Primary Health Care (approximately 35% by NLA);
- Cardno (approximately 30% by NLA); and
- Verizon (approximately 30% by NLA)

The Property is held on a leasehold from the State Rail Authority of New South Wales with 73 years remaining.

## FINANCIAL IMPACT

The acquisition of a 50 per cent interest in 203 Pacific Highway for \$43.0 million represents an initial yield of 8.0 per cent. The 50 per cent interest in the Property has been externally valued at \$43.5 million representing a capitalisation rate of 7.75 per cent. The acquisition will be debt funded through an extension to CMA's existing NAB facilities with pro forma gearing expected to increase to 33.8 per cent upon settlement.

The acquisition is forecast to be accretive to the Fund's FY16 distributable earnings by approximately 2.5 per cent. The Fund's distribution guidance is maintained at 17.0 cents per stapled security representing a distribution yield of 8.6 per cent on the closing price of \$1.98 per stapled security as at 30 September 2015.

The Fund's net tangible assets per stapled security will decrease by 0.5 per cent to \$1.96 reflecting transaction costs associated with the acquisition.

## PORTFOLIO IMPACT

The impact of the acquisition on the Fund's portfolio is set out below:

Portfolio Metric	30 June 2015	Pro forma
Book Value	\$323.1m	\$366.1m
Independent Value	\$322.1m	\$365.6m
WACR	8.43%	8.35%
NLA (square meters)	101,086	112,822
WALE (years)	4.8	4.9
Occupancy	96.7%	97.0%

## REVIEW OF 44 HAMPDEN ROAD, ARTARMON

CPFL is undertaking a review of the potential divestment of the Fund's asset at 44 Hampden Road, Artarmon.

Mr Blake said, "Private investors within suburban markets continue to demonstrate strong investment appetite for well leased buildings. Whilst the Fund has explored the potential for 44 Hampden Road to be rezoned or redeveloped in collaboration



with the freehold owner, an outright sale may generate the best outcome for CMA securityholders.”

If sold, proceeds would be used to repay debt reducing the Fund’s gearing in line with CMA’s conservative capital management strategy.

**For more information or to arrange an interview, please contact:**

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## **About Us**

Centuria Property Funds Limited (CPFL) is a wholly-owned subsidiary of CNI, it 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 on completion of this acquisition will hold a portfolio of assets valued at \$366 million diversified across New South Wales, Queensland and South Australia.

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

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