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Centuria Property Funds Limited CENTURIA METROPOLITAN REIT

SETTLEMENT OF 203 PACIFIC HIGHWAY, ST LEONARDS

Sydney, 23 December 2015: Centuria Property Funds Limited (CPFL) is pleased to announce that the settlement of the acquisition of 203 Pacific Highway, St Leonards (Property) occurred on the evening of Tuesday 22 December 2015.

Centuria Metropolitan REIT (CMA or the Fund) acquired a 50 per cent interest in the Property for \$43.0 million before transaction costs¹ reflecting an initial yield of 8.0 per cent. The Property is part of the Forum, a mixed-use complex located above St Leonards railway station and has been independently valued at \$43.5 million².

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 and medical related tenant demand generated by the neighbouring Royal North Shore Hospital."

The remaining 50 per cent interest in the Property was acquired by a newly-created Centuria unlisted retail trust, the Centuria 203 Pacific Highway Fund (Co-Owner).

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."

¹ Before settlement adjustments including approximately \$3.8 million (CMA's 50% interest) for outstanding tenant incentives, primarily relating to the recently executed leases with Primary Healthcare and Verizon

² CBRE valuation dated 28 October 2015 (CMA's 50% interest)



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 4.9 years³.

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 million² representing a capitalisation rate of 7.75 per cent.

The acquisition has been fully debt funded by way of a new \$45 million facility from National Australia Bank (NAB). The Fund now has three cross-secured debt facilities from NAB with limits totalling \$140 million and with approximately \$128.4 million drawn. CMA's gearing has increased to 34.2⁴ per cent upon settlement of the Property, before any impact from upcoming December 2015 property revaluations.

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

Debt Metric	30 June 2015	Pro forma ⁴
Facility limit	\$95.0m	\$140.0m
Drawn amount	\$84.6m	\$128.4m
Undrawn capacity	\$10.4m	\$11.6m
Weighted average debt expiry	4.7 years	4.4 years
Proportion of debt hedged	99.3%	65.1%
Weighted average hedge maturity	4.7 years	4.2 years
Interest rate ⁵	4.0%	4.0%
Interest cover	8.6x	7.7x

³ By area as at settlement date

⁴ Pro forma at 30 November 2015 adjusted for settlement of 203 Pacific Highway

⁵ Including amortised establishment costs



The Fund's FY16 distribution guidance is maintained at 17.0 cents per stapled security representing a distribution yield of 8.5 per cent on the closing price of \$1.99 per CMA stapled security as at 22 December 2015.

PORTFOLIO IMPACT

The impact of the acquisition of the 50 per cent interest in the Property on the Fund's portfolio is set out below:

Portfolio Metrics	30 June 2015	Pro forma ⁴
Book value	\$323.1m	\$369.0m
Independent valuation	\$322.1m	\$369.5m
WACR	8.43%	8.35%
NLA	101,086 sqm	112,822 sqm
WALE ^{6,7}	4.8 years	4.8 years
Occupancy ⁷	96.7%	97.0%

CMA and the Co-Owner have entered into a Co-Owners Agreement which sets out the interests and obligations of each party (which are mutual) and the agreement will govern the decision-making procedures in respect of the Property. Under the Co-Owner's Agreement each party is granted a first right of refusal over the other party's interest in the Property, should the other party wish to sell that interest or if CPFL is replaced as responsible entity. A summary of the key terms of the Co-Owner's Agreement is provided in Schedule 1 following this announcement.

- Ends -

For more information or to arrange a meeting with Centuria, please contact:

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⁶ By NLA

⁷ Includes leases agreed but pending execution



Schedule 1 – Key Terms of Co-Owners’ Agreement

Each Co-Owner will enter into a Co-Owner’s Agreement which will set out the relevant proportions in which the Co-Owner’s hold their interests and the rights and obligations of the Co-Owner’s and will therefore govern the decision making procedures in respect of the Property. The key terms of the Co-Owner’s Agreement are to be as follows:

- The Co-Owner’s will appoint Centuria Property Services as Property and Facilities Manager on competitive market terms;
- No Co-Owner may bind another Co-Owner in connection with any agreement, arrangement or understanding in connection with any interest in the Property. Therefore, all decisions in respect of the Property will need to be made with unanimous approval of each Co-Owner;
- All agreements, deeds, instruments and other documents relating to any interest in the Property must be signed by the Co-Owner’s;
- Any income in relation to the Property is to be received by the Co-Owner’s in their relevant proportions;
- Any expense in relation to the Property is to be borne by the Co-Owner’s in their relevant proportions; and
- The Co-Owner’s must establish a Co-Owners’ Committee to review, consider and make determinations on substantive issues with respect to the management and operation of the Property. This encapsulates:
 - any leasing or licensing of space in the Property;
 - the incurring of expenses by the Co-Owners;
 - expenditure of capital by the Co-Owners;
 - approval of financial budgets;
 - approval of insurances for the Property;
 - the appointment of a valuer where the Co-Owners agree to commission a joint valuation;
 - the approval of any future developments or refurbishment of the Property; and
 - the management strategies for the Property.

CMA (or its nominee) will have a first right of refusal in relation to the interest in the Property owned by Co-Owner. This provides that if Co-Owner wishes to transfer its interest in the Property, that it must inform the Fund specifying the interest to be sold, the price at which the interest is to be sold and the other terms and conditions which are to apply to the sale (including a copy of the proposed contract of sale and any other ancillary agreements or side letters) and provide CMA (or its nominee) with an opportunity to buy the Co-Owner’s interest in the Property on those terms. CMA has granted the Co-Owner (or its nominee) a reciprocal first right of refusal in relation to the Fund’s 50% interest in the Property.

In circumstances where either Co-Owner has negotiated a sale of 100% of the Property to a bona fide third party acquirer, that Co-Owner must notify the other Co-Owner of the terms and provide the other Co-Owner (or its nominee) with an opportunity to acquire the entire 100% of the Property on the same terms. If the other Co-Owner does not exercise this opportunity, 100% of the Property will be sold to the third party acquirer on those terms.

If Centuria is removed as responsible entity of CMA, the Co-Owner (or its nominee) has a right to acquire CMA’s 50% interest in the Property at the market value as determined by independent valuation in accordance with the Co-Owners Agreement. The Co-Owner has granted CMA (or its nominee) a reciprocal right if Centuria is removed as responsible entity of the Co-Owner.



About Us

Centuria Property Funds Limited (CPFL) is the Responsible Entity for the ASX-listed Centuria Metropolitan REIT (ASX code: CMA). CPFL is a wholly-owned subsidiary of Centuria Capital Limited (ASX code: CNI), CMA focusses on investing in office and industrial assets in metropolitan markets across Australia and holds a portfolio of assets valued at \$366.1 million diversified across Sydney, Brisbane, Canberra and Adelaide.

CPFL has approximately \$1 billion of property under management in 14 unlisted property funds and 1 listed fund.

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