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Centuria Property Funds Limited
CENTURIA METROPOLITAN REIT

1H16 OPERATING UPDATE

Sydney, 28 January 2016

Centuria Property Funds Limited ("CPFL") as Responsible Entity of Centuria Metropolitan REIT ("CMA" or the "Fund") is pleased to provide the following 1H16 operating update.

Highlights as at 31 December 2015

- 1H16 valuations increased CMA's portfolio valuation by 3.9 per cent¹ to \$379.2 million^{2,3}
- NTA has increased by 8 cents to \$2.05 per stapled security²
- The Fund has secured 26 leasing transactions across 8,766 square metres⁴
- The Fund's portfolio was 97.3 per cent^{4,5} occupied with a 4.8 year WALE^{4,5}
- Gearing was 32.0 per cent², and remains within the Fund's target range of 25 to 35 per cent
- FY16 earnings and distribution guidance of 17.9 and 17.0 cents per stapled security, respectively, remain unchanged

Leasing Update

Since 30 June 2015, the Fund has secured 26 leasing transactions across a total 8,766 square metres⁴, comprising 15 new leases over 5,409 square metres and 11 renewals over 3,357 square metres. At 31 December 2015 the Fund's portfolio was 97.3 per cent^{4,5} occupied with a 4.8 year WALE^{4,5}.

Of the 8,766 square metres⁴ of transactions secured, 3,207 square metres relate to FY16 expiries, 3,913 square metres of new leasing over previously vacant space and 1,646 square metres of FY17 and beyond expiries.

¹ On a like for like basis, excluding 203 Pacific Highway, St Leonards (50% interest)

² Based on pro forma book values and subject to finalisation of the Fund's 1H16 audit review

³ Including 203 Pacific Highway, St Leonards (50% interest)

⁴ Includes 8 transactions where terms have been agreed but subject to lease finalisation

⁵ By NLA

Significant leasing activity has been achieved across four of the Fund's assets, specifically;

54 Marcus Clarke Street, Canberra		
Number of leases	#	4
Area leased	sqm	1,417
New leases	sqm	843
Renewals	sqm	574

60 Marcus Clarke Street, Canberra		
Number of leases	#	8
Area leased	sqm	3,918
New leases	sqm	2,071
Renewals	sqm	1,847

9 Help Street, Chatswood		
Number of leases	#	7
Area leased	sqm	2,314
New leases	sqm	1,694
Renewals	sqm	620

3 Carlingford Road, Epping		
Number of leases	#	6
Area leased	sqm	1,020
New leases	sqm	704
Renewals	sqm	316

Combined occupancy in the Fund's Canberra sub-portfolio has increased from 76 per cent at acquisition in May 2015 to approximately 87 per cent⁶ at 31 December 2015.

Portfolio average fixed rental growth remains underpinned at 3.7 per cent per annum with 96 per cent of the Fund's leases having fixed reviews.

Nicholas Blake, Trust Manager, CMA said, "Management remains focused on delivering stable rental returns from the portfolio through a combination of active management to de-risk future expiries and, where appropriate, asset improvements to deliver rental growth and capital upside. This should ensure the Fund's properties remain attractive to tenants."

Mr Blake continued, "In relation to underlying market conditions, those markets in which CMA's properties are located continue to demonstrate robust tenant demand, with market rents and incentives generally stable across the portfolio".

⁶ Includes transactions where terms have been agreed but subject to lease finalisation

1H16 Asset Valuations

At 31 December 2015, the value of CMA's portfolio was \$379.2 million^{2,3} representing an increase of 3.9 per cent¹ since 30 June 2015. Consequently, the Fund's NTA has increased 8 cents to \$2.05 per stapled security² over the period.

Two properties were independently valued at 31 December 2015;

- 9 Help Street, Chatswood – value increased by \$3.5 million or 7.2 per cent to \$52.0 million
- 3 Carlingford Road, Epping - value increased by \$4.0 million or 19.0 per cent to \$25.0 million

A 50 per cent interest in 203 Pacific Highway, St Leonards was also acquired during the period for \$43.0 million and externally valued at \$43.5 million at acquisition. The property is co-owned with the unlisted property fund, Centuria 203 Pacific Highway Fund.

The weighted average capitalisation rate of the Fund's portfolio has firmed 28 basis points from 8.43 per cent at 30 June 2015 to 8.15 per cent³ at 31 December 2015.

A schedule of asset valuations is outlined below.

Property	State	Dec 15 Valuation	Dec 15 Cap Rate
Office			
9 Help Street, Chatswood	NSW	\$52.0m	7.75%
3 Carlingford Road, Epping	NSW	\$25.0m	6.75%
203 Pacific Highway, St Leonards ⁷	NSW	\$43.5m	7.75%
44 Hampden Road, Artarmon	NSW	\$8.0m	8.50%
54 Marcus Clarke Street, Canberra	ACT	\$14.8m	9.75%
60 Marcus Clarke Street, Canberra	ACT	\$49.2m	8.25%
35 Robina Town Centre Drive, Robina	QLD	\$47.3m	7.75%
555 Coronation Drive, Brisbane	QLD	\$33.8m	8.50%
1 Richmond Road, Keswick	SA	\$25.2m	9.50%
131-139 Grenfell Street, Adelaide	SA	\$20.4m	9.00%
Industrial			
14 Mars Road, Lane Cove	NSW	\$19.3m	9.00%
13 Ferndell Street, Granville	NSW	\$17.1m	8.00%
149 Kerry Road, Archerfield	QLD	\$23.6m	7.50%
Total Portfolio		\$379.2m	8.15%

Mr Blake said "The improvement in portfolio value is a result of Centuria's active asset management philosophy being applied to enhance portfolio income and unlock additional capital value in the portfolio. The uplift in value at 9 Help Street, Chatswood demonstrates the continued investment appetite for well leased North Shore office assets and 3 Carlingford Road, Epping, has benefited from a continuing increase in undeveloped unit lot sales from approximately \$210,000 per lot previously to approximately \$250,000 in line with recent comparable sales. This is before taking into account the potential zoning uplift from the master plan approval currently before Council, which if approved would allow an additional 50 unit lots on the site and corresponding uplift in value."

¹ On a like for like basis, excluding 203 Pacific Highway, St Leonards (50% interest)

² Based on pro forma book values and subject to finalisation of the Fund's 1H16 audit review

³ Including 203 Pacific Highway, St Leonards (50% interest)

⁷ 50% Interest



Capital Management

At 31 December 2015, following the acquisition of 50 per cent interest in 203 Pacific Highway, St Leonards, the Fund had total debt facilities of \$140 million with \$11.7 million in undrawn capacity. The Fund's weighted average debt maturity is 4.4 years, with an 'all in' interest cost of 4.0 per cent per annum.

The Fund has hedged approximately 65 per cent of its debt facilities, co-terminus with facility maturities, ensuring the Fund's exposure to interest rate risk is prudently managed in line with CMA's conservative capital management philosophy.

The Fund's Interest Cover Ratio was approximately 7.5 times relative to a bank covenant of 2.0 times, demonstrating adequate covenant headroom.

FY16 Earnings and Distribution

CMA's FY16 earnings and distribution guidance of 17.9 and 17.0 cents per stapled security, respectively, remains unchanged. CMA securities are currently trading on an annualised FY16 distribution yield of 8.7 per cent⁸, and are currently trading at a 4.1 per cent⁸ discount to the 31 December 2015 NTA of \$2.05 per stapled security².

2H16 distributions totalling 8.5 cents per stapled security are forecast to be paid in two quarterly instalments of 4.25 cents per stapled security with record dates of 31 March 2016 and 30 June 2016, respectively.

Mr Blake said, "Despite the uncertain global economic outlook and recent volatility in Australian equity markets, CMA's underlying portfolio remains well placed to deliver stable, predictable rental income into the future, providing for quarterly distributions to our securityholders and the potential for additional value creation through active asset management."

1H16 Interim Result

Please note management has bought forward CMA's reporting date, and the Fund is to announce its FY16 Interim Result, including 31 December 2015 financial accounts, on **Tuesday 9 February 2016**. CMA will be providing a market briefing at 2.30pm (AEST), 9 February 2016. The market briefing will be webcast via the Centuria website (www.centuria.com.au) and we invite securityholders to participate.

- Ends -

² Based on pro forma book values and subject to finalisation of the Fund's 1H16 audit review

⁸ Based on the CMA closing price of \$1.965 per stapled security on 27 January 2015



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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 \$379.2 million diversified across Sydney, Brisbane and Adelaide.

CPFL has over \$950 million of property under management in 13 unlisted property funds and 1 listed fund.

Centuria Capital "CNI" is an ASX-listed specialist investment manager with \$1.6 billion in funds under management.

Disclaimer

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