



## Australian Securities Exchange - Company Announcements Platform

### Centuria Property Funds Limited Centuria Metropolitan REIT

**Sydney, 9 February 2016:** 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 six months ended 31 December 2015.

Key information for the period includes:

- > Statutory net profit of \$19.3 million;
- > Distributable earnings of \$10.9 million representing 9.1 cents per stapled security ("cps")<sup>1</sup>;
- > Increase in total assets to \$385.7 million;
- > Net tangible assets ("NTA") of \$2.05 pss, an increase from \$1.97 pss at 30 June, 2015;
- > Gearing of 32.0 per cent;
- > Weighted average debt expiry of 4.4 years; and
- > Portfolio weighted average lease expiry ("WALE") of 4.8 years at 31 December 2015.

The Fund delivered on its distribution forecasts paying 4.25 cents per stapled security for the September 2015 and December 2015 quarters.

Nicholas Blake, Trust Manager of CMA, 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."

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<sup>1</sup> 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.



## PORTFOLIO UPDATE

### Asset Valuations

As reported on 28 January, 2016, the value of CMA's portfolio at 31 December was \$379.2 million<sup>2</sup> representing an increase of 3.9 per cent<sup>3</sup> since 30 June 2015. Consequently, the Fund's NTA has increased 8 cents to \$2.05 per stapled security 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 acquired during the period for \$43.0 million and externally valued at \$43.5 million at acquisition. The property is co-owned with a Centuria unlisted 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 cent<sup>2</sup> at 31 December 2015.

### Leasing & Occupancy

As previously reported, since 30 June 2015, the Fund has secured 26 leasing transactions across a total 8,766 square metres<sup>4</sup>, 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<sup>4,5</sup>, occupied with a 4.8 year WALE<sup>4,5</sup>.

Of the 8,766 square metres<sup>4</sup> 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.

Strong rental growth in the portfolio is underpinned by an average fixed rental growth of 3.7 per cent per annum with 96 per cent of the Fund's leases having fixed reviews. Approximately 76 per cent of revenue derived from ASX listed, multinational, national and government tenants.

## CAPITAL MANAGEMENT

### Debt & Hedging

At 31 December 2015, 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 interest cost of 4.0 per cent<sup>6</sup> per annum.

<sup>2</sup> Including 203 Pacific Highway, St Leonards (50% interest)

<sup>3</sup> On a like for like basis, excluding 203 Pacific Highway, St Leonards (50% interest)

<sup>4</sup> Includes 7 lease transactions where terms have been agreed but subject to lease finalisation

<sup>5</sup> By NLA

<sup>6</sup> Including weighted average swap rate, facility establishment fees and all-in margins (base and line fees)



CMA's gearing at 31 December 2015 was 32 per cent, within the target gearing band of 25 to 35 percent. The Fund's Interest Cover Ratio was approximately 7.4 times relative to a bank covenant of 2.0 times, demonstrating adequate covenant headroom.

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.

## **STRATEGY & OUTLOOK**

### **Strategy**

CMA is well positioned to deliver on its promise to securityholders despite global uncertainty and equity market volatility.

Tenant demand for metropolitan office space remains strong particularly in those submarkets where where supply is restrained. CPFL remains focussed on actively managing the Fund's portfolio with an emphasis on tenant retention to ensure income and occupancy are maximised.

CPFL continually assesses repositioning strategies that may 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.

### **Outlook**

The Fund reaffirms 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 previous guidance. This equates to a distribution yield of 8.5 per cent on the 5 February 2016 closing price of \$1.99 stapled security. Quarterly distributions of 4.25 cents per stapled security will be paid with record dates of 31 March 2016 and 30 June 2016, respectively.

CMA will be providing a market briefing at 2.30pm (AEDT) today, 9 February 2016. The market briefing will be webcast via the website ([www.centuria.com.au](http://www.centuria.com.au)).

- Ends -



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

**Nicholas Blake**

**Trust Manager**

Centuria Metropolitan REIT  
Phone: 02 8923 8949  
Email: [nicholas.blake@centuria.com.au](mailto:nicholas.blake@centuria.com.au)

**Shalome Ruiter**

**Investor Relations Manager**

Centuria Property Funds Limited  
Phone: 02 8923 8962  
Email: [shalome.ruiter@centuria.com.au](mailto:shalome.ruiter@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 \$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 property fund.

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

### **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](http://www.centuria.com.au).

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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.

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