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Centuria Property Funds Limited CENTURIA METROPOLITAN REIT

CMA acquires assets valued at \$150 million and announces capital raising

Sydney, 13 July 2017

Centuria Property Funds Limited, as Responsible Entity of Centuria Metropolitan REIT (**CMA** or the **REIT**), is pleased to announce that it has entered into agreements to acquire two new commercial office assets located in Perth, Western Australia for \$91.8 million which, coupled with the acquisition of the Target Head Office announced on 28 June 2017, results in total new acquisitions of \$150 million (**Acquisitions**)¹ with an initial funding obligation of \$95 million.²

To partially fund the Acquisitions, CMA is undertaking an underwritten³ equity raising to raise approximately \$90 million (**Equity Raising**) at a fixed issue price of \$2.35 per CMA security (**Issue Price**).

The Acquisitions and associated Equity Raising:

- Are complementary to CMA's existing portfolio and investment strategy
- Provide long leases to quality tenants with an average WALE of 6.5 years
- Are acquired on an attractive average capitalisation rate of 7.1% with fixed rental reviews of between 3.25 – 3.75% p.a. improving the structured rent growth profile of the REIT
- Increase CMA's tenant and geographic diversification
- Capitalise on the significant disconnect in pricing between the East Coast and West Coast office markets
- Enhance scale and liquidity, with the REIT's market capitalisation expected to increase from \$430 million to \$520 million⁴ improving the potential for S&P/ASX300 index inclusion

¹ All metrics are pro forma for the completion of the Target Head Office, Williams Landing, Victoria.

² Prior to transaction costs.

³ The Equity Raising will be underwritten other than in respect of the commitments received from Centuria Capital Limited with respect to the Entitlement Offer and the Lederer Group with respect to the Entitlement Offer and Placement. Centuria Capital and Lederer Group have also committed to sub-underwrite a portion of the retail component of the Entitlement Offer (on economically equivalent terms to other sub-underwriters (including any sub-underwriting fees that will be paid out of underwriting fees)).

⁴ Based on the closing price of CMA securities on the ASX on 12 July 2017.



- Provides significant debt headroom to fund the current acquisition pipeline or pursue further attractive acquisitions

Overview of the Acquisitions

The purchase price of the Acquisitions is supported by independent valuations and reflects a weighted average capitalisation rate of 7.1% and weighted average lease expiry (**WALE**) of 6.5 years.

Property	State	Independent Valuation (\$m)	Initial yield	Cap rate	NLA (sqm)	WALE (years)	Occupancy
Hatch Building, Perth	WA	58.2	9.2%	7.5%	11,042	3.7	100%
Target Head Office, Williams Landing ⁵	VIC	58.2	6.5%	6.5%	12,919	10.0	100%
42-46 Colin Street, Perth	WA	33.6	8.7% ⁶	7.5%	8,439	4.8	100%
Total		150.0	8.0%	7.1%	32,400	6.5	100%

CMA Trust Manager, Mr Nicholas Blake commented: "The acquisitions are highly complementary to the CMA portfolio and are in line with the REIT's strategy to invest in metropolitan assets which generate income returns and offer the potential for capital growth through active management. Income from the two Perth assets is secured by the major occupiers W.A. Government (W.A. Police), Insurance Australia Group Ltd and international consultancy firm Hatch & Associates, with the acquisition pricing at a significant discount to East Coast markets. The two Perth assets are the REIT's first exposure to the Perth market and will represent 12% of the total CMA portfolio⁷. The acquisition of the Target Head Office at Williams Landing will provide exposure to a first generation asset purpose built for a high-quality tenant on a long-term lease with attractive fixed rental increases".

Equity Raising

The \$90 million Equity Raising is comprised of a \$25 million institutional placement (**Placement**) and a 1 for 6.4 accelerated non-renounceable entitlement offer to raise approximately \$65 million (**Entitlement Offer**).

The Issue Price of \$2.35 per new security represents a 2.5% discount to CMA's closing price of \$2.41 on 12 July 2017. At the Issue Price, the new securities are forecast to deliver a 7.9% FY18 distributable earnings yield and a 7.7% FY18 distribution yield.

New securities issued under the Equity Raising will rank equally with existing securities and will be entitled to the full Distribution for the quarter ending 30 September 2017.

⁵ On completion.

⁶ Based on forecast net income for the first twelve months of ownership.

⁷ By valuation.



Financial Impact

The Transaction is expected to have the following impact on CMA:

- Pro forma gearing reduces from 30.2%⁸ to 27.6%;
- Marginally accretive to FY18 Distributable Earnings, forecast to be 18.6 cents per security;
- 25% increase in the value of the REIT's property portfolio to \$760 million.

Centuria expects FY18 Distributions to be 18.1 cents per security, representing 3.4% growth on FY17.

Equity Raising commitments

Centuria Capital Limited (**CCL**) and Lederer Group (CMA's second largest securityholder holding approximately 7.3% of the securities on issue) have both committed to take up their full entitlement under the Entitlement Offer. Lederer Group will also take up additional securities in the Placement. CCL and Lederer Group have also committed to sub-underwrite⁹ a portion of the retail component of the Entitlement Offer.

Market update

CMA today also announces significant leasing success across the portfolio throughout FY17, having executed 41 leasing transactions across 20,321 sqm, representing 15.5% of portfolio NLA¹⁰. Key highlights included:

- 1 Richmond Road, Keswick, SA: 4,043 sqm expiring 30 June 2017 has been leased in two deals (DCNS & SA Power)
- 54 & 60 Marcus Clarke Street, Canberra, ACT: 10 leasing transactions executed across 2,112 sqm, with combined occupancy and WALE as at 30 June 2017 of 90% and 2.7 years respectively, compared to occupancy of 76.1% and a WALE of 2.2 years on acquisition
- Queensland sub-portfolio¹¹: High occupancy of 97.9% maintained with a strong WALE of 5.5 years as at 30 June 2017

The REIT has also undertaken a valuation process across the portfolio with revaluations increasing property values by \$8.1 million (1.3% increase on prior book values) with the largest increases being derived from 9 Help Street, Chatswood, NSW (4.5% increase) and 1 Richmond Road, Keswick, SA (4.4% increase). A summary of the valuations split by office and industrial is outlined below and reflects a tightening of the portfolio capitalisation rate from 7.3%¹² to 7.2%.

⁸ As at 31 December 2016, pro forma for the merger of CMA with Centuria Urban REIT.

⁹ In aggregate on economically equivalent terms to other sub-underwriters (including any sub-underwriter fees that will be paid out of underwriting fees).

¹⁰ Portfolio NLA for the purposes of this calculation excludes the Acquisitions.

¹¹ The Queensland sub-portfolio comprises 154 Melbourne Street, South Brisbane, 483 Kingsford Smith Drive, Brisbane, 35 Robina Town Centre Drive, Robina, 555 Coronation Drive, Brisbane and 149 Kerry Road, Archerfield.

¹² As at 31 December 2016, pro forma for the merger with Centuria Urban REIT.

Property	Dec-16	Jun-17	Valuation increase	Variance (%)
Office	\$558.2m	\$566.3m	\$8.1m	1.4%
Industrial	\$43.7m	\$43.7m	-	-
Total	\$601.9m	\$610.0m	\$8.1m	1.3%

CMA continues to focus on sourcing quality acquisition opportunities, and has recently entered into exclusive due diligence to acquire a new A-Grade, 10,000 sqm commercial office building in South West Sydney, NSW. The development is 50% pre-committed to an institutional grade tenant on a 10 year lease. The proposed acquisition is subject to successful due diligence and CCL and CPFL board approval and if successful, may be acquired under a fund-through arrangement with CCL. The value on completion (mid CY18) is expected to be approximately \$75 million, reflecting a capitalisation rate of 6.25%. CMA will provide further updates to the market as appropriate.

Key dates of the Equity Raising

Key event	Date
Trading Halt and announcement of the Transaction and Equity Raising	Thursday, 13 July 2017
Institutional Placement & Institutional Entitlement Offer opens	Thursday, 13 July 2017
Institutional Placement & Institutional Entitlement Offer closes	Thursday, 13 July 2017
Record date for Retail Entitlement Offer	Monday, 17 July 2017
Retail Entitlement Offer opens	9:00am, Wednesday, 19 July 2017
Early Retail acceptance due date	5:00pm, Tuesday, 25 July 2017
Settlement of the Institutional Placement, Institutional Entitlement Offer & Early Retail Entitlement Offer	Wednesday, 26 July 2017
Allotment and ASX quotation of Institutional Placement, Institutional Entitlement Offer & Early Retail Entitlement Offer	Thursday, 27 July 2017
Retail Entitlement Offer Closes	5:00pm, Thursday, 3 August 2017
Settlement of the remaining Retail Entitlement Offer securities	Wednesday, 9 August 2017
Allotment and ASX quotation of the remaining Retail Entitlement Offer securities	Thursday, 10 August 2017
Dispatch of holding statements	Friday, 11 August 2017



All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEST. Any changes to the timetable will be posted on Centuria's website at www.centuria.com.au.

Moelis Australia and UBS AG, Australia Branch are Financial Advisors, Joint Bookrunners and Joint Underwriters on the Equity Raising. Shaw & Partners and Morgans Financial Limited are Co-Lead Managers on the Equity Raising and HWL Ebsworth is Legal Advisor to CMA.

Additional information

Additional information about the Acquisitions and Equity Raising including key risks is contained in the investor presentation released to the ASX today. The retail entitlement offer booklet will be released separately and mailed to eligible securityholders. This will also be available on the Listed Property page of Centuria's website at <http://www.centuria.com.au/metropolitan-reit/investor-centre/investor-centre/>.

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About Us

Centuria Property Funds Limited (CPFL), a wholly-owned subsidiary of Centuria Capital Group (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 diversified across Sydney, Brisbane and Adelaide.

CPFL, combined with Centuria Property Funds No.2 Limited (CPF2L), has approximately \$3.0 billion of funds under management in 17 unlisted property funds and 2 listed REITs.

CNI is an ASX-listed specialist investment manager with \$4 billion in total funds under management.