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## Centuria Property Funds Limited CENTURIA METROPOLITAN REIT

### Revaluations, Strategic Acquisitions and Equity Raising

Sydney, 5 December 2017:

Centuria Property Funds Limited (**CPFL**), as Responsible Entity of Centuria Metropolitan REIT (ASX: **CMA**), is pleased to announce the following:

- Acquisition of two NSW metropolitan office assets for \$119.1 million<sup>1</sup> (**Acquisitions**);
- An underwritten<sup>2</sup> accelerated entitlement offer to raise approximately \$60 million (**Equity Raising**) at an issue price of \$2.39 per CMA security (**Issue Price**);
- Independent valuations providing an uplift of \$33.8m driven by strong market fundamentals, active asset management and increased investor appetite for non-CBD office assets; and
- Entered into an unconditional contract for the sale of 44 Hampden Road, Artarmon for \$10.3 million, a 14.4% premium to book value generating an 18.4% IRR since acquisition

#### Acquisitions overview

CPFL has entered into an unconditional agreement to acquire a 50% interest in 201 Pacific Highway, St Leonards along with the acquisition of 77 Market Street, Wollongong with a combined value of \$119.1 million.

The key benefits of the Acquisitions include:

- Highly complementary properties to CMA's existing portfolio and in line with its investment strategy to acquire quality, fit for purpose, metropolitan office assets
- Stable and secure income streams underpinned by 100% occupancy and fixed rental reviews of 3.00% – 4.00% p.a.<sup>3</sup>
- Exposure to the strongly performing NSW metropolitan office market increases from 23% to 33%
- A consolidated footprint in the core NSW metropolitan submarket of St Leonards, with the acquisition of 201 Pacific Highway adjacent to CMA's existing asset at 203 Pacific Highway

<sup>1</sup> Excludes acquisition costs

<sup>2</sup> The Equity Raising will be underwritten other than in respect of the commitments received from Centuria Capital Limited. Centuria Capital Limited has also committed to sub-underwrite up to \$10m of the retail component of the entitlement offer (on the same terms as other sub-underwriters)

<sup>3</sup> Office tenancies



- Conservative pro forma gearing of 30.4% providing flexibility to debt fund the current commitments or pursue further attractive opportunities

The purchase prices for the Acquisitions are supported by independent valuations and reflect a weighted average capitalisation rate of 6.7% and weighted average lease expiry (WALE) of 3.7 years.

Property <sup>4</sup>	State	Independent Valuation (\$m)	Cap rate (%)	NLA (sqm)	WALE (years)	Occupancy
201 Pacific Highway, St Leonards (50%)	NSW	85.8	6.50	16,488	3.5	100%
77 Market Street, Wollongong	NSW	33.3	7.25	6,755	4.3	100%
<b>Total / weighted average</b>		<b>119.1</b>	<b>6.71</b>	<b>23,243</b>	<b>3.7</b>	<b>100%</b>

CMA Trust Manager, Mr Nicholas Blake commented: “Metropolitan markets are core to Centuria’s DNA, and these acquisitions increase CMA’s exposure to some of the highest performing submarkets in the nation at attractive pricing.”

“We see significant potential in St Leonards, with Sydney’s North Shore experiencing tightening vacancy rates, limited supply and strengthening rentals. St Leonards benefits from these strong fundamentals but has lagged the neighbouring North Sydney and Chatswood submarkets due to significant stock withdrawal for residential conversion. Accordingly, we expect this market to re-position as the residential development cycle abates.”

“Our investment in the A Grade asset 201 Pacific Highway, St Leonards, which is adjacent to CMA’s existing asset at 203 Pacific Highway consolidates our footprint in this near CBD market. Both assets are well-located above the St Leonards rail station with significant in-place amenity.”

“Similarly, 77 Market Street Wollongong is a high-quality, fit-for-purpose building in a well-defined market, anchored by strong commercial tenants.”

“Both acquisitions are highly complementary to our portfolio, and well positioned to deliver value for our securityholders”.

## Equity Raising

The Acquisitions are being funded by a combination of equity and debt. The Equity Raising is an underwritten 1 for 8.65 accelerated non-renounceable entitlement offer to raise approximately \$60 million.

<sup>4</sup> Yields and prices are off gross basis and purchase prices adjusted for outstanding incentives



The Issue Price represents a 2.4% discount to CMA's closing price of \$2.45 on 4 December 2017. At the Issue Price, the new securities are forecast to deliver a 7.8% FY18 distributable earnings yield and 7.6% FY18 distribution yield.

New securities issued under the Equity Raising will rank equally with existing securities and be entitled to the full distribution for the quarter ending 31 December 2017.

### Major securityholder intentions

Centuria Capital Limited (**CCL**) has committed to take up its full entitlement. CCL has also agreed to sub-underwrite<sup>5</sup> up to \$10 million of the retail component of the Equity Raising.

### Valuation overview

CPFL has undertaken independent valuations of the whole CMA portfolio as at 30 November 2017 with these valuations increasing property values by \$33.8 million (4.5% over prior valuations).

	30 Jun 17 <sup>6</sup>	31 Nov 17 <sup>7</sup>	Valuation increase	Variance (%)
Office	\$716.3m	\$746.6m	\$30.4m	4.2%
Industrial	\$43.7m	\$47.2m	\$3.5m	8.0%
<b>Total</b>	<b>\$760.0m</b>	<b>\$793.8m</b>	<b>\$33.8m</b>	<b>4.5%</b>

Mr Nicholas Blake commented: "The portfolio's valuation increase is not surprising, with strong demand for quality commercial space in metropolitan markets outstripping supply, resulting in declining vacancy rates and increased investor demand given the attractive yields relative to CBD office assets."

"Centuria has been investing in metropolitan office properties for two decades, and this result further demonstrates our strong track record in securing quality assets and actively managing them to deliver superior returns for investors".

### Financial impact of the Acquisitions and Equity Raising

The Acquisitions and Equity Raising are expected to have the following impact on CMA:

- Pro forma gearing increases from 27.4%<sup>8</sup> to 30.4%, which is within CMA's target gearing range of 25 – 35%
- Neutral to FY18 Distributable Earnings and Distributions

CMA reaffirms FY18 Distributable Earnings guidance of 18.6 cents per security and FY18 Distribution guidance of 18.1 cents per security.

<sup>5</sup> On the same terms as other sub-underwriters

<sup>6</sup> Pro forma investment property valuations on completion as announced on 13 July 2017

<sup>7</sup> Metrics include 44 Hampden Road which is unconditionally contracted for sale

<sup>8</sup> As at 30 June 2017, pro forma for the acquisitions and equity raising announced on 13 July 2017



## Key dates for the Equity Raising

Key event	Date
Trading Halt and announcement of the Equity Raising	Tuesday, 5 December 2017
Institutional Entitlement Offer opens	Tuesday, 5 December 2017
Institutional Entitlement Offer closes	Tuesday, 5 December 2017
Record date for Retail Entitlement Offer	7:00pm, Thursday, 7 December 2017
Retail Entitlement Offer opens	9:00am, Monday, 11 December 2017
Early Retail acceptance due date	5:00pm, Friday, 15 December 2017
Settlement of the Institutional Entitlement Offer & Early Retail Entitlement Offer	Monday, 18 December 2017
Allotment and ASX quotation of Institutional Entitlement Offer & allotment of Early Retail Entitlement Offer	Tuesday, 19 December 2017
Retail Entitlement Offer Closes & ASX quotation of Early Retail Entitlement Offer	5:00pm, Wednesday, 20 December 2017
Final settlement of the Retail Entitlement Offer	Wednesday, 27 December 2017
Allotment of the Retail Entitlement Offer	Thursday, 28 December 2017
ASX quotation of the Retail Entitlement Offer	Friday, 29 December 2017
Despatch of holding statements for Retail Entitlement Offer	Tuesday, 2 January 2017

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Australian Eastern Daylight Time (AEDT). Any changes to the timetable will be posted on Centuria's website at [www.centuria.com.au](http://www.centuria.com.au).

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

### Additional information

Additional information about the Acquisitions and Equity Raising, including key risks, is contained in the CMA 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 [www.centuria.com.au/listed-property/investor-centre/](http://www.centuria.com.au/listed-property/investor-centre/).

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**About Centuria Property Funds Limited**

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).

CPFL, combined with Centuria Property Funds No. 2 Limited (CPF2L), the Responsible Entity for the ASX listed Centuria Industrial REIT (CIP), has \$3.5 billion of funds under management in 16 unlisted property funds, one open-ended diversified property fund and two listed REITs.

CNI is an ASX-listed specialist investment manager with \$4.4 billion in total funds under management.