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## Centuria Property Funds Limited CENTURIA METROPOLITAN REIT

### CMA FY2018 Financial Results

Tuesday, 21 August 2018

Centuria Property Funds Limited (CPFL), as Responsible Entity of Centuria Metropolitan REIT (ASX: CMA), is pleased to announce CMA's full year financial results for the period ended 30 June 2018.

#### Key Highlights

- **Guidance achieved: Distributable earnings<sup>1</sup> (EPU) of 18.6 cents per unit (cpu), distributions per unit (DPU) of 18.1 cpu**
- **Net Tangible Assets<sup>2</sup> (NTA) increased 7.3% to \$2.49 per unit over FY18 with CMA generating 14.9% Return on Equity (ROE)<sup>3</sup>**
- **Gross assets increased to \$1.0 billion<sup>4</sup>**
- **Over \$256 million transacted to enhance portfolio quality**
- **99% portfolio occupancy<sup>5</sup>, highest since inception**
- **Inclusion in the S&P/ASX 300 index**

#### FY18 FINANCIAL RESULTS

Financial Snapshot		FY18	FY17
Statutory profit / (loss)	\$m	85.1	37.7
Distributable earnings	\$m	42.4	22.8
Distributable earnings per unit <sup>1</sup>	cpu	18.6	19.0
Distribution per security	cpu	18.1	17.5
Total Assets <sup>4</sup>	\$m	958.1	629.0
NTA per unit <sup>2</sup>	\$	2.49	2.32
Gearing <sup>6</sup>	%	28.3	29.5
Return on equity <sup>3</sup>	%	14.9	14.7

Mr Doug Hoskins, Acting CMA Fund Manager, commented, "CMA has continued to mature over the past twelve months, reaching \$1.0 billion of gross assets<sup>4</sup> and achieving inclusion in the S&P/ASX 300 index. Importantly, CMA has delivered EPU and DPU in line with guidance, a result achieved from active portfolio management throughout the year."

"Additionally, CMA benefitted from revaluation gains supporting an NTA<sup>2</sup> uplift of 7.3% to \$2.49 per unit. Improved valuations were underpinned by key leasing transactions and a continued investment appetite for quality metropolitan office assets. Moreover, CMA generated an attractive ROE<sup>3</sup> of 14.9% for unitholders. Gearing<sup>6</sup> of 28.3% remains within CMA's target gearing range, providing support for transaction and capital management initiatives."

## PROPERTY PORTFOLIO

Portfolio Snapshot		FY18 <sup>7</sup>	FY17
Number of assets		19	15
Book value	\$m	930.5	610.0
WACR	%	6.68	7.19
Occupancy by area	%	98.9	97.3
WALE by gross income	years	4.0	3.9
Leases agreed NLA	sqm	17,970	20,321

CMA's portfolio value increased year on year by 52.6% to \$930.5 million, driven by high quality, prime grade acquisitions and valuation increases in the portfolio. The portfolio's weighted average capitalisation rate firmed 51 basis points to 6.68%.

CMA agreed leases across 17,970 square metres (sqm) representing 9.75% of the portfolio's net lettable area (NLA). WALE increased to 4.0 years<sup>8</sup> with 47% of income expiring at or beyond FY23. CMA's portfolio recorded an average NABERS<sup>9</sup> energy rating of 4.0 Stars.

Doug Hoskins commented, "CMA has achieved its highest occupancy since inception of 99%. This accomplishment resulted from our focus on enhancing tenant relationships and improving income continuity. CMA continues to maintain leasing momentum and is focused on addressing FY19 lease expiries."

"Our concentrated effort towards asset repositioning has seen a 10-year, 3,503sqm lease executed at 203 Pacific Highway, St Leonards, achieving a record office rent within the building. This contributed towards the asset's \$9.5 million valuation improvement. Additionally, both Canberra assets have now reached full occupancy. Leases were also agreed for 26% of 154 Melbourne Street, South Brisbane's NLA and 29% at 1 Richmond Road, Keswick further demonstrating CMA's ability to engage and retain tenants."

## CAPITAL TRANSACTIONS

Doug Hoskins continued, "During the period, CMA acquired four quality assets located in NSW and WA markets, reflecting a total consideration of \$210.9 million, an average initial yield of 7.8%<sup>10</sup>, WALE of 3.9 years<sup>8</sup> and 100% occupancy<sup>5</sup> at acquisition."

"Two assets were divested<sup>11</sup> for \$46.3 million, averaging a 24.1% premium to book value. Overall, transactions totalling \$256.4 million presented significant enhancement to the quality of CMA's portfolio."

"Finally, CMA's agreement to acquire Target's HQ at 2 Kendall Street, Williams Landing, VIC remains on track with recent transactional activity in the area suggesting the potential for further rental and capital value uplift."

## SUMMARY & OUTLOOK

"FY18 has seen CMA achieve inclusion in the S&P/ASX300 and grown its total assets to \$1.0 billion<sup>4</sup> with broad income streams underpinned by quality national tenants," Mr Hoskins said.

"Demand outside CBD markets continues to increase with investment sentiment weighted towards quality office stock within metropolitan markets. CMA remains Australia's pre-eminent metropolitan office REIT."

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“CMA continues to assess acquisition opportunities and anticipates the divestment of the portfolio’s remaining industrial assets during FY19. Subsequently, CMA will provide shareholders a well-positioned, high quality, pure-play office portfolio overseen by hands-on management.”

CMA forecasts FY19 distributable earnings of 18.3 to 18.5<sup>12</sup> cpu and distributions of 18.1 cpu, generating a FY19 distribution yield of 7.3%<sup>13</sup>. Distributions will continue be paid in equal quarterly instalments of 4.525 cpu.”

### **FY18 results presentation**

CMA has provided a market briefing that is available via the Centuria website <https://centuria.com.au/cma/annual-results/>

– Ends –

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

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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).

CMA is Australia’s largest ASX-listed metropolitan office REIT and is included in the S&P/ASX 300 Index. CMA owns a portfolio of 19 high quality metropolitan assets with a total value of \$930 million in key metropolitan locations throughout Australia.

CPFL, combined with Centuria Property Funds No. 2 Limited (CPF2L), the Responsible Entity for the ASX listed Centuria Industrial REIT (CIP), has \$4.0 billion of assets under management in 15 unlisted property funds, one open-ended diversified property fund and two listed REITs.

CNI is an ASX-listed specialist investment manager with \$4.9 billion in total assets under management.

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1 Distributable earnings is a financial measure which is not prescribed by Australian Accounting Standards (“AAS”) represents the profit under AAS adjusted for specific non-cash and significant items. The Directors consider that distributable earnings reflect the core earnings of CMA

2 NTA per unit is calculated as net assets less goodwill divided by closing units on issue

3 Return on Equity is calculated as closing NTA minus opening NTA plus distributions divided by opening NTA

4 Including the forecast settlement of 2 Kendall Street, Williams Landing VIC, total AUM of \$958.1 million

5 By area

6 Gearing is defined as total borrowings less cash divided by total assets minus cash and goodwill. 30 June 2018 pro-forma gearing of 30.0% adjusted for 2 Kendall Street, Williams Landing, VIC and sale of 3 Carlingford Road, Epping, NSW

7 Excluding WACR, includes 2 Kendall Street, Williams Landing, VIC as if complete. 3 Carlingford Road, Epping, NSW contracted to sell, settlement expected in November 2018

8 By gross income

9 Excluding 3 Carlingford Road, Epping, NSW (held for sale), CMA’s industrial assets and 35 Robina Town Centre, Robina QLD

10 Before transaction costs. Acquisition price for 144 Stirling Street, Perth and 201 Pacific Highway, St Leonards are gross price before adjustment of existing outstanding incentives

11 Includes 3 Carlingford Road, Epping, NSW contracted to sell. Settlement expected in November 2018

12 Includes the impact from the anticipated divestment of CMA’s remaining industrial assets subject to favourable market conditions

13 Based on CMA closing price of \$2.48 on 30 June 2018

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