



Australian Securities Exchange – Company Announcements Platform

Centuria Property Funds Limited

CENTURIA METROPOLITAN REIT

Strategic Acquisitions and Equity Raising

Sydney, 10 October 2018

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

- Acquisition of interests in four high quality metropolitan office assets for \$500.9 million¹ (**Acquisitions**); and
- An underwritten² equity raising to raise approximately \$276 million (**Equity Raising**) at an issue price of \$2.43 per CMA security (**Issue Price**).

Acquisitions overview

CPFL has entered into unconditional agreements to acquire a portfolio from a subsidiary of Hines Global REIT, Inc. comprising interests in four high quality office assets in strategic inner metropolitan locations. The acquisition portfolio comprises 100% interests in 818 Bourke Street, Docklands, 825 Ann Street, Fortitude Valley, and 100 Brookes Street, Fortitude Valley and a 25% interest in 465 Victoria Avenue, Chatswood³. The portfolio is independently valued at \$520.9 million⁴ and reflects a weighted average capitalisation rate of 5.8% and an initial yield of 6.1%.

Centuria Capital Group (**ASX: CNI**) will contribute \$20 million to the purchase price⁵, resulting in a total net price paid by CMA of \$500.9 million reflecting a 3.8% discount to the independent valuations and an initial yield of 6.3%.

¹ Before transaction costs and net of \$20m contribution from CPFL

² The Equity Raising will be underwritten other than in respect of the commitments received from certain Centuria entities with respect of the Equity Raising

³ The Lederer Group, a substantial unitholder in CMA, will acquire a 75% interest in 465 Victoria Avenue, Chatswood. CMA and the Lederer Group will enter into a co-ownership agreement in respect of the asset

⁴ CMA's interest

⁵ CNI will subscribe for \$20 million of ordinary shares in CPFL which will be held on trust for the CMA unitholders and be used for the Acquisitions

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The key benefits of the Acquisitions include:

- Positions CMA as a leading pure-play office A-REIT
 - Highly complementary properties to CMA's existing portfolio
 - In line with strategy to acquire quality, fit for purpose, metropolitan office assets
 - Enhances scale and liquidity, improving the potential for future S&P/ASX 200 Index inclusion

- High quality, strategically located assets acquired at a discount
 - Assets acquired at 3.8% discount to independent valuations (net of the CPFL \$20 million contribution)
 - CMA's exposure to key East Coast markets increases to 84% of portfolio value
 - Strengthens CMA's tenant portfolio with 79%⁶ leased to government, ASX-listed, national and multi-national businesses

- Improves CMA's growth profile
 - Acquisitions underpinned by 90% fixed rental reviews averaging 3.7% p.a.³
 - Acquisitions are located in markets where Centuria has a track record of leasing success
 - Improves CMA's stability by increasing the WALE and smoothing the lease expiry profile

Property	State	Independent Valuation (\$m) ⁷	Initial yield	Cap rate	NLA (sqm)	WALE (years) ⁸	Occupancy ⁹
818 Bourke Street, Docklands (100%)	VIC	223.3	5.4%	5.25%	23,260	4.0	100%
825 Ann Street, Fortitude Valley (100%)	QLD	169.5	6.8%	6.25%	19,115	4.9	100%
100 Brookes Street, Fortitude Valley (100%)	QLD	86.5	6.5%	6.25%	9,602	5.1	100%
465 Victoria Avenue, Chatswood (25%)	NSW	41.6	5.4%	5.75%	15,637	5.1	100%
Total / weighted average		520.9	6.1%	5.78%	67,614	4.6	100%
CMA purchase price¹⁰		500.9	6.3%				

⁶ By income as at 30 September 2018

⁷ Reflects CMA's ownership interest

⁸ By income as at 31 August 2018, including non-binding heads of agreement

⁹ By area, including rental guarantees over vacant space

¹⁰ Before transaction costs and net of \$20 million contribution from CPFL

CMA Acting Fund Manager, Mr Doug Hoskins commented: "The Acquisitions are transformational for CMA as it transitions to a leading pure-play office A-REIT and dramatically improves the quality and scale of the portfolio."

"The Acquisitions are well located in inner metropolitan locations in markets where Centuria has a track record of leasing success. 818 Bourke Street holds a prime location in Docklands, with uninterrupted river views and immediate river frontage. The Docklands precinct is highly desirable with one of the nation's lowest sub-market vacancy rates at 1.2% and strong growth in effective rents."

"825 Ann Street and 100 Brookes Street are located in Fortitude Valley, an area supported by record infrastructure spending and strong interstate migration in Queensland. We believe Centuria's active management strategies, including leasing success in other Brisbane metro markets, offers the potential for attractive risk return at these assets."

"465 Victoria Avenue is one of only five prime investment grade assets in Chatswood. Future growth in the Chatswood precinct is driven in part by significant spending on infrastructure including the new North West Metro. The asset has potential upside from current below market rents and a large site area which may be reviewed for potential future development upside."

"The Acquisitions are highly complementary to our portfolio, and well positioned to deliver value for our securityholders."

Equity Raising

To partially fund the Acquisitions, CMA is undertaking a \$276 million Equity Raising, comprising:

- a 1 for 3 accelerated non-renounceable entitlement offer to raise \$197 million; and
- an institutional placement to raise \$79 million.

The Issue Price of \$2.43 per CMA security represents a:

- 4.7% discount to the last close price of \$2.55 on 9 October 2018;
- 4.2% discount to the 5 day VWAP of \$2.54 on 9 October 2018;
- 3.6% discount to the theoretical ex-rights price of \$2.52;
- 7.7% forecast FY19 FFO yield; and
- 7.2% forecast FY19 distribution yield.

New securities issued under the Equity Raising will rank equally with existing CMA securities and will be entitled to the full distribution for the quarter ending 31 December 2018, expected to be 4.358 cents per security.

The Equity Raising is underwritten¹¹ by Moelis Australia Advisory Pty Ltd and UBS AG, Australia Branch. Shaw & Partners is Co-lead Manager on the Equity Raising and HWL Ebsworth is Legal Advisor to CPFL.

Major securityholder intentions

CNI has committed to take up its full entitlement¹² and sub-underwrite¹³ up to \$50 million of the retail entitlement offer. CNI will also make a \$20 million contribution to the purchase price of the Acquisitions¹⁴.

Financial impact of the Acquisitions and Equity Raising

To more closely align itself with industry standards and PCA guidelines¹⁵, CMA will report on a Funds From Operations (FFO)¹⁶ measure going forward with its distribution policy based on 90–100% of FFO.

Including the impact of the Acquisitions and Equity Raising:

- FY19 FFO is forecast to be 18.7 cents per security¹⁷;
- FY19 Distribution is forecast to be 17.6 cents per security; and
- Pro forma gearing is expected to increase from 28.3% to 36.6%¹⁸, prior to the divestment of remaining industrial assets.

CMA has commenced a marketing campaign to divest the remaining non-core industrial assets it holds. Post divestment, CMA's gearing is expected to be within the target range of 25–35%¹⁹.

¹¹ The Equity Raising will be underwritten other than in respect of the commitments received from certain Centuria entities with respect to the Equity Raising

¹² Excluding funds managed by CNI on behalf of Over Fifty Guardian Friendly Society Limited

¹³ CNI has committed to sub-underwrite up to \$50 million of the retail component of the Equity Raising (on the same terms as other sub-underwriters)

¹⁴ CNI will subscribe for \$20 million of ordinary shares in CPFL which will be held on trust for the CMA unitholders and be used for the Acquisitions

¹⁵ Property Council of Australia's Voluntary Best Practice Guidelines for Disclosing FFO and AFFO, December 2017

¹⁶ The calculation of FFO excludes rental abatements and rent free periods, which are including by CMA in the calculation of distributable earnings

¹⁷ FY19 distributable earnings is forecast to be 17.6 cents per security

¹⁸ As at 30 June 2018 adjusted for the impact of the Acquisitions and Equity Raising. Pro forma gearing as at 30 June 2018 is 37.5% when adjusted for the impact of the Acquisitions and Equity Raising, the sale of 3 Carlingford Road, Epping, NSW for \$36.0 million (expected to occur in November 2018), completion of the development of 2 Kendall Street, Williams Landing, VIC (\$55.3 million payment on completion expected to occur in December 2018), and prior to the divestment of remaining industrial properties, being 149 Kerry Road, Archerfield, QLD and 13 Ferndell Street, Granville, NSW (expected to occur in December 2018)

¹⁹ Includes the sale of 3 Carlingford Road, Epping, NSW and completion of the development of 2 Kendall Street, Williams Landing, VIC

Key dates

Key event	Date
Trading Halt, announcement of the Acquisitions and Equity Raising and institutional bookbuild	Wednesday, 10 October 2018
Trading recommences on an ex-entitlement basis	Thursday, 11 October 2018
Record date for entitlement offer	Friday, 12 October 2018
Retail entitlement offer opens	9:00am, Tuesday, 16 October 2018
Early retail acceptance due date	5:00pm, Monday, 22 October 2018
Settlement of the placement, institutional entitlement offer & early retail entitlement offer	Tuesday, 23 October 2018
Allotment and ASX quotation of placement & institutional entitlement offer and early retail entitlement offer	Wednesday, 24 October 2018
Retail entitlement offer closes	5:00pm, Monday, 29 October 2018
Final settlement of the retail entitlement offer	Friday, 2 November 2018
Allotment of the retail entitlement offer	Monday, 5 November 2018
ASX quotation of the retail entitlement offer and despatch of holding statements for retail entitlement offer	Tuesday, 6 November 2018

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.

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/.

– Ends –

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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/ASX300 Index. CMA owns a portfolio of 21 high quality metropolitan office assets and two industrial assets with a portfolio value of around \$1.6 billion. The properties are located in core metropolitan submarkets throughout Australia.

CPFL, combined with Centuria Property Funds No. 2 Limited (CPF2L), the Responsible Entity for the ASX listed Centuria Industrial REIT (CIP), have approximately \$4.6 billion of funds under management across 15 unlisted property funds, one open-ended diversified property fund and two listed REITs.

CNI is an ASX-listed specialist investment manager with \$5.5 billion in total funds under management.

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