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Centuria Property Funds Limited
CENTURIA METROPOLITAN REIT

UBS Australasia Conference 2018

Tuesday, 13 November 2018

Centuria Property Funds Limited (**CPFL**), as Responsible Entity of Centuria Metropolitan REIT (**ASX:CMA**), today releases the attached presentation to be used as part of the UBS Australasia Conference held in Sydney.

- Ends -

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About Centuria Property Funds Limited

Centuria Property Funds Limited (CPFL) 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 $1.5 billion. The properties are located in core metropolitan submarkets throughout Australia.

CPFL, combined with Centuria Property Funds No. 2 Limited (CPF2L), are wholly owned subsidiaries of Centuria Capital Group (CNI) and have approximately $4.6 billion of assets 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.

www.centuria.com.au

Photo: 818 Bourke Street, Docklands

Centuria Metropolitan REIT

UBS Australasia Conference

ASX:CMA | 13 NOVEMBER 2018

Centuria®

Contents

Photo: 465 Victoria Avenue, Chatswood, NSW

SECTION ONE

Introduction

Centuria is an established ASX-listed specialist investment manager

Centuria Capital Group

$497m Market Capitalisation[1]

$5.5bn
Assets Under Management (AUM)

$0.4bn
Co-Investments

$4.6bn
Property Funds Management AUM

$0.9bn
Investment Bonds AUM

Centuria Metropolitan REIT **(CMA)**	Centuria Industrial REIT **(CIP)**	Propertylink Group **(PLG)**
24.9%[2]	**22.9%[2]**	**19.5%**

Listed Property $2.6bn

Industrial REIT **(CIP)**	Metropolitan REIT **(CMA)**
$1.1bn	**$1.5bn**
AUM	AUM

Unlisted Property $2.0bn

Fixed term funds	Centuria Diversified Property Fund
15	

1. Based on CNI closing price of $1.29 on 9 November 2018
2. Co-investment ownership percentage includes the ownership by associates of Centuria Capital Group

As at 9 November 2018

Key metrics[1]

Continuing to build a leading ASX listed pure play office REIT

7.8%[2]	7.3%[2]	$1.5bn	6.35%
FY19 FFO Yield	**FY19 Distribution Yield**	**Portfolio Value**	**Portfolio Cap Rate**
23	4.2 years[4]	98.8%[3]	$855m[2]
High Quality Assets	**Portfolio WALE**	**Portfolio Occupancy**	**Market capitalisation**

1 Includes 2 Kendall St, Williams Landing, VIC as if the development has been completed
2 Based on CMA closing price of $2.40 on 9 November 2018
3 Occupancy by area, including rental guarantees over vacant space
4 By income as at 30 September 2018, including non-binding heads of agreement

The Acquisitions continue the transformation of CMA

Acquisitions

Acquired 4 assets ($32m average asset value)

$129m

Acquired 50% of 203 Pacific Highway, NSW

$86m (100%)

Acquired 3 assets ($50m average asset value)

$150m

Acquired 2 assets ($60m average asset value)

$119m

Merged with Centuria Urban REIT ($70m average asset value)

$210m

Enhanced portfolio (Average asset value of $161m)

465 Victoria Ave, NSW (25%)[1]

$167m (100%)

825 Ann St, QLD (100%)

$170m

100 Brookes St, QLD (100%)

$87m

818 Bourke St, VIC (100%)

$223m

	IPO	2015	2016	2017[2]	2018[2]	Pro forma[2]	Post Industrial[2]
No. properties	8	12	13	15	19	23	**21**
Value ($m)	183	323	399	610	931	1,451	**1,403**
Avg. value ($m)	23	27	31	41	49	63	**67**
Avg. NLA (sqm)	8,730	8,424	8,666	8,734	9,702	10,954	**10,613**
Avg. $/sqm	2,619	3,196	3,539	4,656	5,048	5,761	**6,293**

Divestments

Divested 14 Mars Rd, NSW
$26m (24% IRR)

Divested 44 Hampden Rd, NSW
$10m (18% IRR)

Contracted for sale 3 Carlingford Rd, NSW
$36m (21% IRR)

Sale campaign commenced

149 Kerry Rd, QLD
$28m Book value

13 Ferndell St, NSW
$21m Book value

1 Includes 2 Kendall Street, Williams Landing, VIC as if complete
2 This asset is co-owned with the Lederer Group (75%)

Executing on the strategy to enhance CMA’s portfolio

1

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 CMA’s scale and liquidity, improving the potential for future **S&P/ASX 200 Index inclusion**

2

High quality, strategically located assets acquired at a discount

Assets acquired at **3.8% total discount** to independent valuations[1]

CMA’s exposure to **key East Coast markets increases to 84%[2]**

Strengthens CMA’s tenant portfolio with **79%[2] leased to government, ASX-listed, national and multi-national businesses**

3

Improves CMA's growth profile

Acquisitions underpinned by **90% fixed rental review averaging 3.7% p.a.**[3]

Assets are located in key markets where Centuria has had a **track record of leasing success**

Improves CMA’s stability by increasing the WALE and **smoothing the lease expiry profile**

1 Before transaction costs and net of $20m contribution from CNI
2 By portfolio value, including Williams Landing, VIC as if the development has been completed
3 By income as at 30 September 2018

SECTION TWO

Portfolio

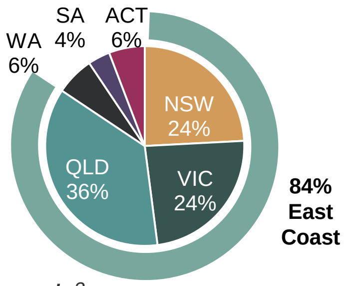
Photo: 825 Ann Street, Fortitude Valley, QLD

A geographically diverse portfolio underpinned by quality national tenants

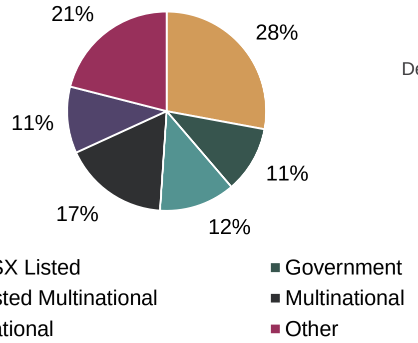
Portfolio[1]	
Number of properties	23
Portfolio valuation ($m)	1,451.4
Weighted average capitalisation rate	6.35%
Occupancy by area	98.8%
WALE by income (years)	4.2
NLA (sqm)	251,946

Diversification

Geographic diversification[2]

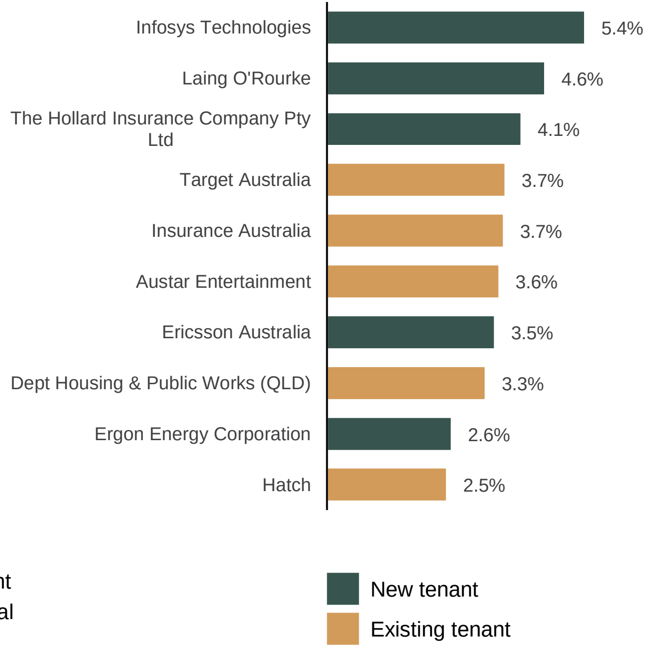


Tenant mix[3]



Top 10 tenants by gross income

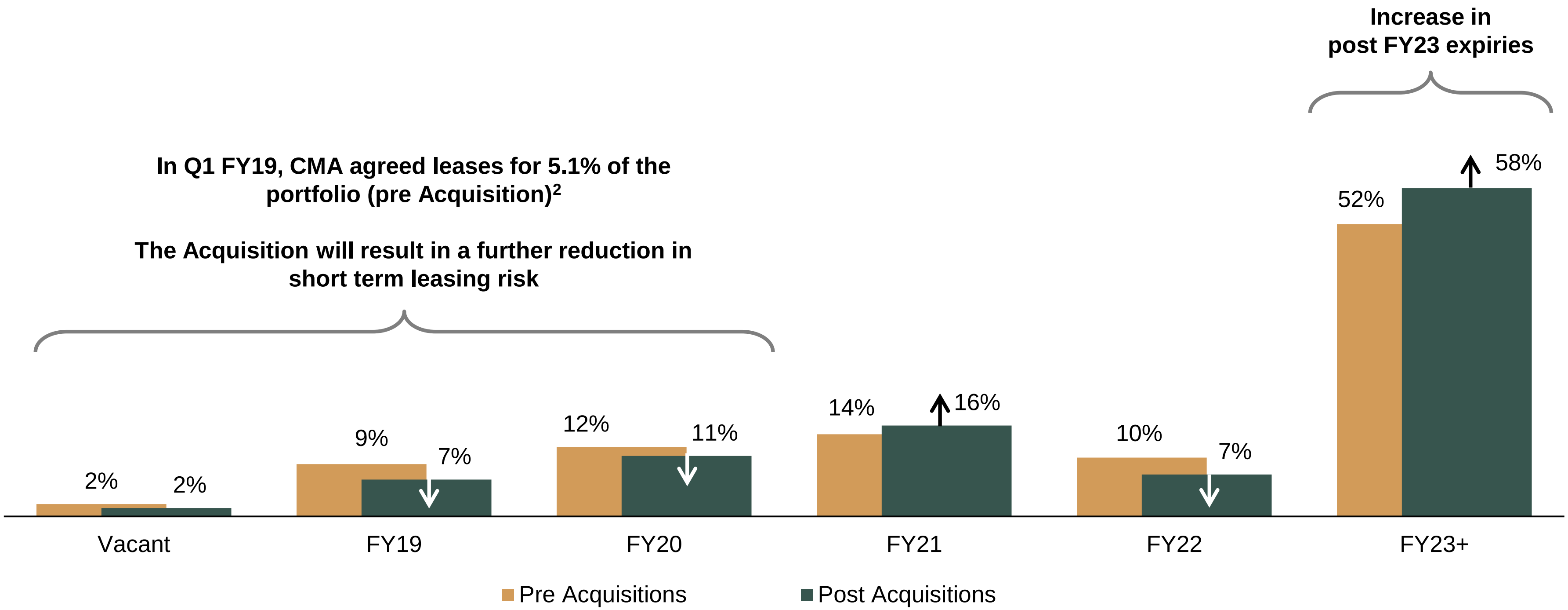
represent 37% of gross income



1 As at 30 September 2018, including 2 Kendall Street, Williams Landing, VIC as if the development has been completed and prior to the disposal of industrial assets, being 149 Kerry Road, Archerfield, QLD and 13 Ferndell Street, Granville, NSW
2 By portfolio value
3 By income as at 30 September 2018, including non-binding heads of agreement

Lease expiry profile[1]

The Acquisition improved CMA's lease expiry profile and WALE



1 By gross income as at 30 September 2018, including rental guarantees and non-binding heads of agreement, 2 Kendall Street, Williams Landing, VIC as if the development has been completed, and prior to the disposal of industrial assets, being 149 Kerry Road, Archerfield, QLD and 13 Ferndell Street, Granville, NSW

2 By gross income, including non-binding heads of agreement

SECTION THREE

Market Indicators

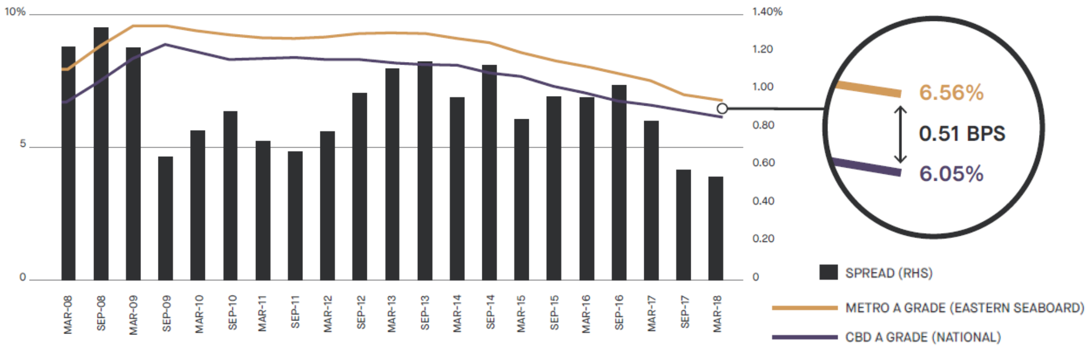
Photo: 60 Marcus Clarke St, Canberra, ACT

MARKET INDICATORS

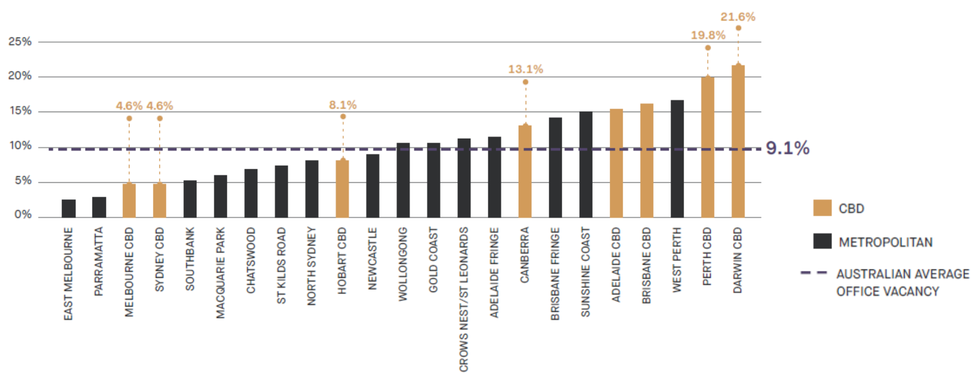
Robust supply and demand fundamentals in metropolitan office markets

- **Non-CBD supply** continues to trend below historic averages in several markets
- **Australian metro market** total vacancy (9.0%), lower than total CBD vacancy (9.2%)
- **Metro vacancy** has predominantly been impacted by demand, CBD's by withdrawal
- Seven out of ten **lowest vacancy markets**, nationally, are metro markets. Particularly low vacancy across Sydney North Shore markets
- **Effective rent growth** continues, particularly in low vacancy markets
- Yield spread **convergence continuing** between certain CBD and metro markets driven by increased investor demand for value outside CBD markets
- Continued **appetite for assets** well located near transport and infrastructure amenity

YIELD SPREAD – A-GRADE METRO VS CBD A-GRADE[1]



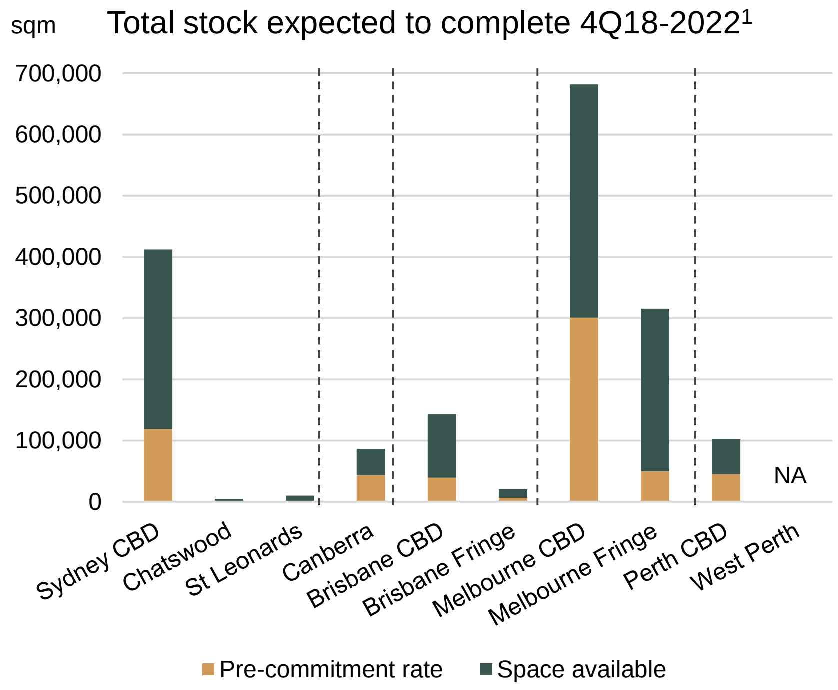
AUSTRALIAN OFFICE VACANCY RATES[2]

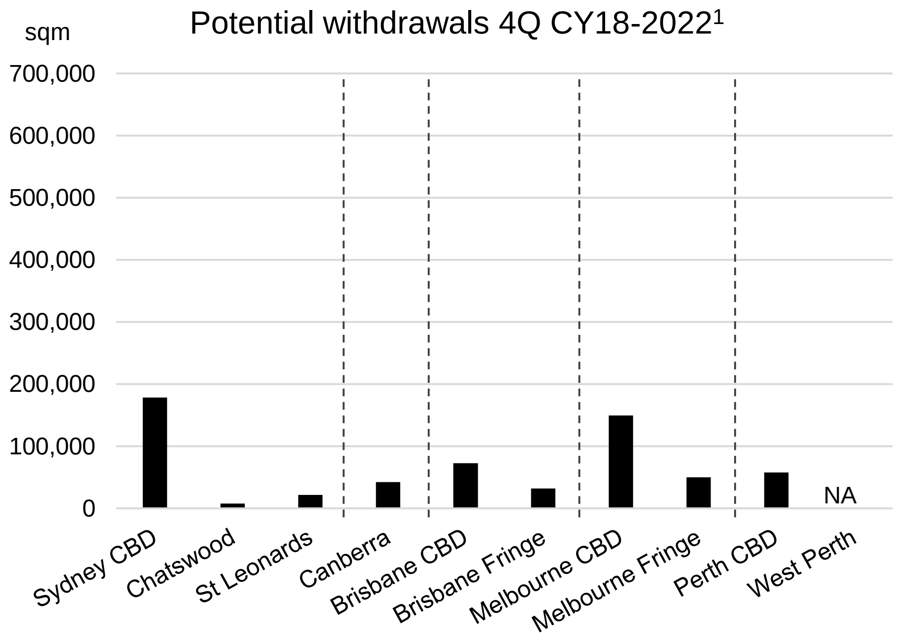


1 Source: ColliersEdge
2 Source: PCA/OMR as at June 2018

MARKET INDICATORS

Limited space availability from new supply in metropolitan markets

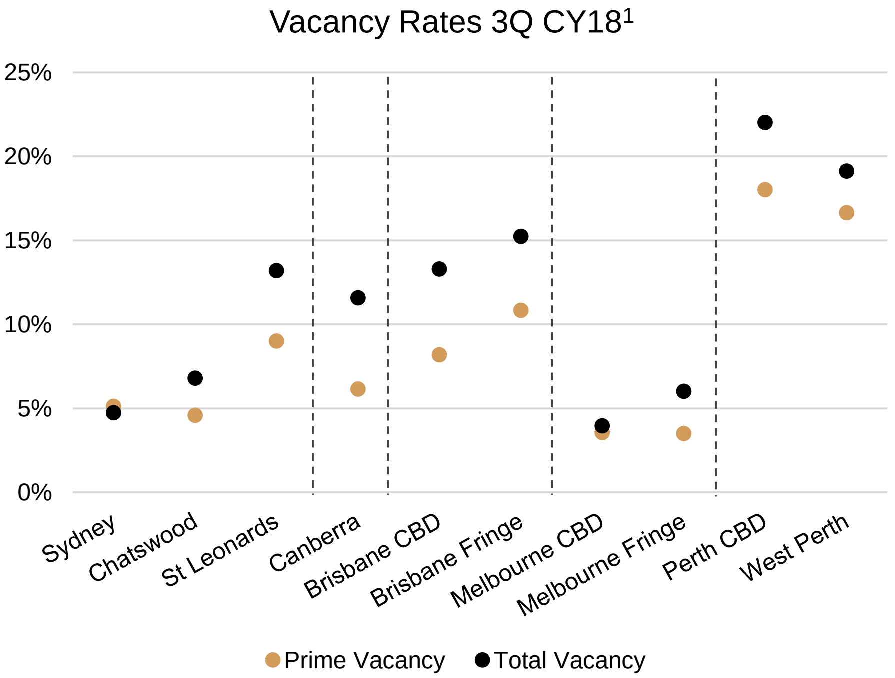


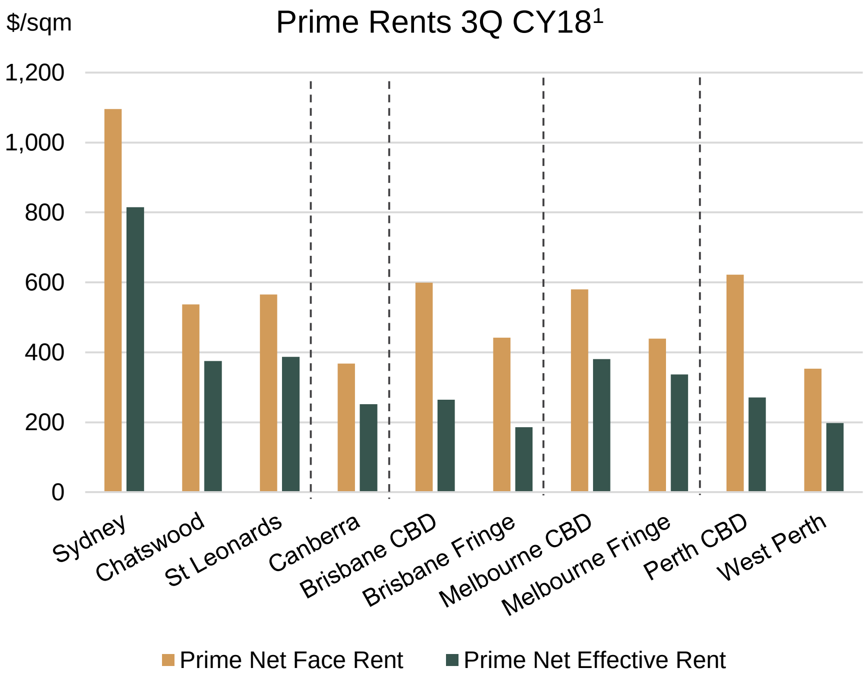


1 Source: JLL

MARKET INDICATORS

Prime space continues to attract tenants & metro rents remain attractive

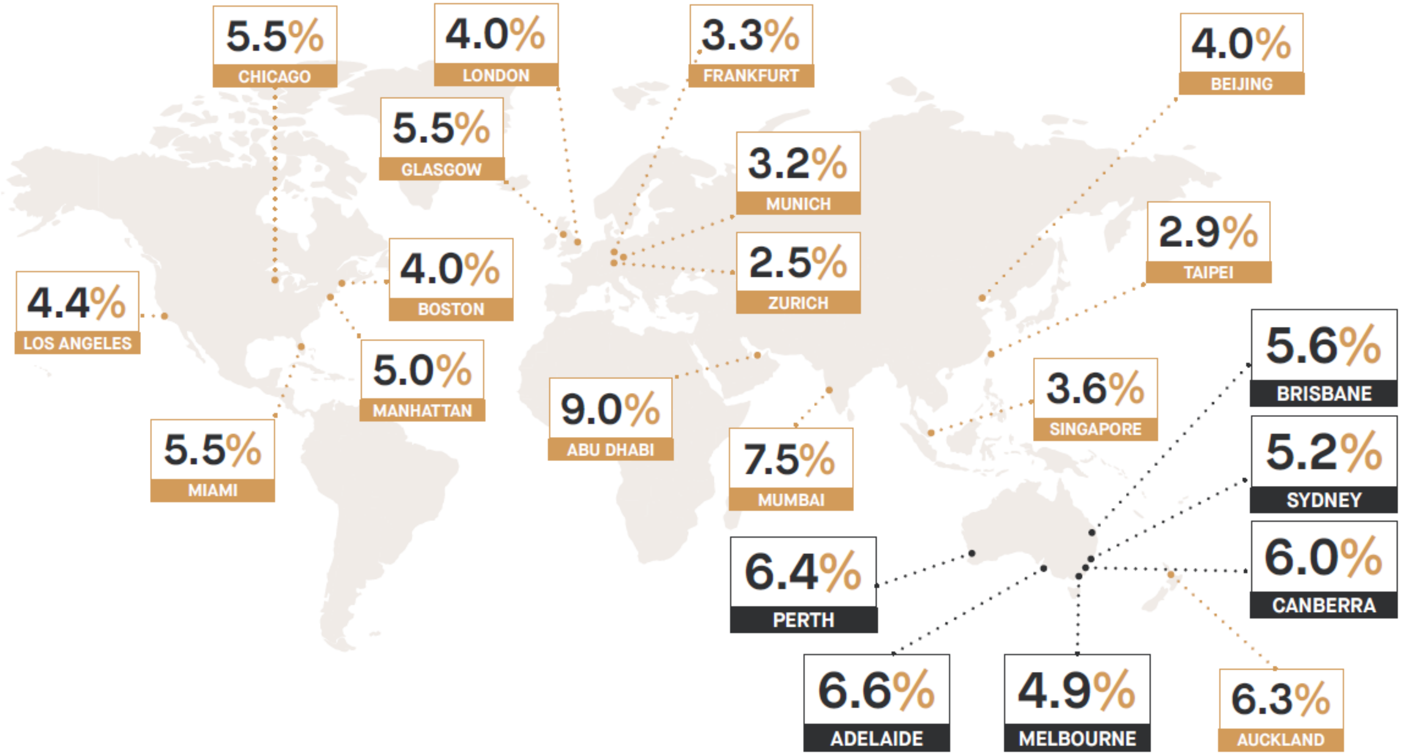




1 Source: JLL

MARKET INDICATORS

Global office yields by city[1]



1 Source: Colliers Research, as at June 2018

Photo: 9 Help St, Chatswood, NSW

SECTION FOUR

Guidance & Strategy

FY19 PRIORITIES

Continue to build Australia's pre-eminent metropolitan office REIT

1 **Become pure play**, high quality office portfolio

1a **Complete acquisition** of 2 Kendall Street, Williams Landing, VIC

1b **Settle disposal of** 3 Carlingford Road, NSW

1c **Dispose of** remaining industrial assets if market conditions are favorable

2 **Maintain leasing** focus addressing FY19 expiry profile

3 **Access balance sheet** and capital management initiatives to increase portfolio scalability and market prominence

STRATEGY & GUIDANCE

Continue to build Australia's pre-eminent metropolitan office REIT

STRATEGY

CMA remains focused on generating predictable and quality income streams and executing initiatives to create value

- Deliver **secure income streams** through a diversified, national tenant base with a focus on occupancy and WALE
- Continue to **enhance portfolio**, upgrade asset quality
- Provide a pure-play, **high quality office portfolio** overseen by hands-on management

GUIDANCE

- To more closely align itself with industry standards and PCA guidelines[1], CMA will report on a Funds from Operations (**FFO**)[2] basis 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 security, which represents a 7.8% yield[3]
  - FY19 distributable earnings is forecast to be 17.6 cents per security
  - FY19 distribution is forecast to be 17.6 cents per security, which represents a 7.3% yield[3]
  - Pro forma gearing will increase from 28.3% to 36.6%[4]
  - 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%[5]

1 Property Council of Australia's Voluntary Best Practice Guidelines for Disclosing FFO and AFFO, December 2017
2 The calculation of FFO excludes rental abatements and rent free periods, which are included by CMA in the calculation of distributable earnings
3 Based on CMA closing price of $2.40 on 9 November 2018
3 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 complete in November 2018), completion of the development of 2 Kendall Street, Williams Landing, VIC ($55.3 million payment at completion expected to occur in December 2018), and prior to the divestment of the remaining industrial assets, being 149 Kerry Road, Archerfield, QLD and 13 Ferndell Street, Granville, NSW (expected to occur in December 2018)
4 Includes the sale of 3 Carlingford Road, Epping, NSW and completion of the development of 2 Kendall Street, Williams Landing, VIC

APPENDIX A

Property Portfolio

Photo: 201 pacific Highway, St Leonards, NSW

Property portfolio

Property	State	Ownership	Sector	Valuation ($m)[1]	Cap rate	NLA / GLA (sqm)	WALE (years) [2]	Occupancy[3]
9 Help Street, Chatswood	NSW	100%	Office	76.0	6.00%	9,394	2.8	100.0%
3 Carlingford Road, Epping	NSW	100%	Office	36.0	5.25%	4,702	1.8	100.0%
203 Pacific Highway, St Leonards	NSW	50%	Office	57.0	6.50%	11,734	5.2	100.0%
201 Pacific Highway, St Leonards	NSW	50%	Office	85.0	6.50%	16,488	4.3	99.8%
77 Market St, Wollongong	NSW	100%	Office	34.6	7.00%	6,755	4.2	100.0%
555 Coronation Drive, Brisbane	QLD	100%	Office	32.5	7.50%	5,568	2.3	90.1%
35 Robina Town Centre Drive, Robina	QLD	100%	Office	55.3	7.13%	9,814	5.0	100.0%
154 Melbourne Street, South Brisbane	QLD	100%	Office	78.5	6.75%	11,314	2.4	83.7%
483 Kingsford Smith Drive	QLD	100%	Office	78.0	6.25%	9,322	6.4	100.0%
576 Swan Street, Richmond	VIC	100%	Office	63.5	5.75%	8,331	3.4	100.0%
Williams Landing, Melbourne	VIC	100%	Office	58.2	6.50%	12,919	10.0	100.0%
131-139 Grenfell Street, Adelaide	SA	100%	Office	19.3	8.00%	4,052	1.2	100.0%
1 Richmond Road, Keswick	SA	100%	Office	33.0	7.50%	8,087	4.8	100.0%
54 Marcus Clarke, Canberra	ACT	100%	Office	20.9	7.50%	5,155	3.9	94.7%
60 Marcus Clarke, Canberra	ACT	100%	Office	63.5	7.00%	12,089	2.5	96.5%
42-46 Colin Street, West Perth	WA	100%	Office	34.5	7.50%	8,451	4.4	100.0%
144 Stirling Street, Perth	WA	100%	Office	56.0	7.50%	11,042	2.7	100.0%
149 Kerry Road, Archerfield	QLD	100%	Industrial	28.1	6.25%	13,774	6.3	100.0%
13 Ferndell Street, Granville	NSW	100%	Industrial	20.7	6.75%	15,302	1.5	100.0%
Total (pre Acquisitions)				**930.5**	**6.67%**	**184,292**	**4.0**	**98.3%**
818 Bourke St, Docklands	VIC	100%	Office	223.3	5.25%	23,260	4.0	100.0%
825 Ann St, Fortitude Valley	QLD	100%	Office	169.5	6.25%	19,115	4.9	100.0%
100 Brookes St, Fortitude Valley	QLD	100%	Office	86.5	6.25%	9,602	5.1	100.0%
465 Victoria Ave, Chatswood	NSW	25%	Office	41.6	5.75%	15,637	5.1	100.0%
Total (post Acquisitions)				**1,451.4**	**6.35%**	**251,946**	**4.2**	**98.8%**

1 CMA's interest
2 By gross income as at 30 September 2018, including non-binding heads of agreement
3 By area as at 30 September 2018, including rental guarantees over vacant space

Disclaimer

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All dollar values are in Australian dollars ($ or A$) unless stated otherwise.

Thank You