Centuria

CENTURIA METROPOLITAN REIT

NOTICE OF GENERAL MEETING OF SECURITYHOLDERS

Notice is hereby given that a general meeting of unitholders (**General Meeting**) of the Centuria Metropolitan REIT ARSN 124 364 718 (**CMA**), will be held at Level 41, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, on 13 November 2019 at 9:30 am.

The Independent Expert has determined in the Independent Expert's Report that the proposed 8 Central Avenue Acquisition is fair and reasonable to the existing Securityholders.

This Notice of General Meeting is issued by Centuria Property Funds Limited ACN 086 553 639 (**CPFL**) in its capacity as responsible entity for CMA.

Terms and abbreviations are defined in the Glossary at the end of this Notice of General Meeting and Explanatory Memorandum.

For further information please refer to the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting.

ITEM OF BUSINESS

1. RESOLUTION 1: Approval under Listing Rule 10.1 and Chapter 2E of the Corporations Act for the 8 Central Avenue Acquisition

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of CMA:

> *"That, subject to Resolution 2 being approved, for the purposes of Listing Rule 10.1, Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act) and for all other purposes, approval be given for the purchase of a 50% freehold interest in 8 Central Avenue from 8 Central Ave Fund No. 1 (**8 Central Avenue Acquisition**), as detailed in the Explanatory Memorandum accompanying this Notice of General Meeting."*

Independent Expert's Report: The Independent Expert has determined in the Independent Expert's Report that the proposed 8 Central Avenue Acquisition is fair and reasonable to the existing Securityholders.

Voting Exclusion:

Pursuant to section 253E of the Corporations Act, CPFL as responsible entity of CMA and its associates are not entitled to vote their interest on Resolution 1 as they have an interest in Resolution 1 other than as a member. In addition, CMA will disregard any votes cast in favour of Resolution 1 by or on behalf of:

(a) a party to the 8 Central Avenue Acquisition; or

(b) an associate of a party to the 8 Central Avenue Acquisition.

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However, CMA need not disregard a vote if:

(c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(d) it is cast by the Chairperson of the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. RESOLUTION 2: Approval under Listing Rule 10.11 for the issue of Securities to CNI pursuant to the Conditional Placement

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of CMA:

> *"That, subject to Resolution 1 being approved, for the purposes of Listing Rule 10.11 and for all other purposes, approval be given for CMA to issue 10,489,511 Securities at an issue price of $2.86 to CNI or its subsidiary pursuant to a placement of $30 million (**Conditional Placement**), as detailed in the Explanatory Memorandum accompanying this Notice of General Meeting."*

Voting Exclusion:

CMA will disregard any votes cast in favour of Resolution 2 by or on behalf of:

(a) CNI, being the person who is to receive Securities in the Conditional Placement; and

(b) an associate of CNI.

However, CMA need not disregard a vote if:

(c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(d) it is cast by the Chairperson of the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. RESOLUTION 3: Ratification of prior issue of Securities pursuant to the Institutional Placement

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of CMA:

> *"That for the purposes of Listing Rule 7.4 and for all other purposes, Securityholders ratify the issue of 49,161,070 Securities at an issue price of $2.86 pursuant to a placement to raise $140.6 million (**Institutional Placement**), as detailed in the Explanatory Memorandum accompanying this Notice of General Meeting."*

Voting Exclusion:

CMA will disregard any votes cast in favour of Resolution 3 by or on behalf of:

(a) a person who participated in the issue referred to; and

(b) an associate of the person named above.

However, CMA need not disregard a vote if:

(c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(d) it is cast by the Chairperson of the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING INSTRUCTIONS

Voting entitlement

The Directors have determined that persons holding Securities in CMA at 7:00 pm (Australian Eastern Daylight Time) on 11 November 2019 will, for the purposes of determining voting entitlements at the General Meeting, be taken to be the Securityholders of CMA.

How to vote

Securityholders may vote by attending the meeting in person, by proxy or by authorised representative.

Proxies and authorised representatives

A Securityholder who is entitled to attend and vote at the General Meeting has the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Securityholder of CMA.

Securityholders holding two or more Securities can appoint either one or two proxies. Where two proxies are appointed, the appointing Securityholder can specify the number of votes or the proportion of the Securityholder’s votes they want each proxy to exercise. If no number or proportion is specified, each proxy may exercise half of the Securityholder's votes. Neither proxy may vote on a show of hands.

Corporate Securityholders must provide CMA with satisfactory evidence of the appointment of any corporate representative, prior to the commencement of the General Meeting.

A proxy can be either an individual or a body corporate. Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:

(a) appoints an individual as its corporate representative to exercise its powers at meetings; and

(b) provides CMA with satisfactory evidence of the appointment of its corporate representative prior to commencement of the General Meeting.

The Chairperson of the General Meeting is deemed to be appointed to act as proxy in respect of a signed proxy that is returned and which does not contain the name of a proxy. In addition, if you direct your proxy how to vote and your nominated proxy does not attend the General Meeting, or attends but does not vote, on a poll on a resolution, the Chairperson will act in place of the nominated proxy and vote in accordance with any instructions.

A proxy form and a reply paid envelope are enclosed with this Notice of General Meeting. If you wish to appoint two proxies, please obtain an additional form from the Registry or make a photocopy of the enclosed proxy form. To be effective, a duly completed proxy form and the power of attorney (if any) under which the proxy form is signed or a certified copy of the relevant authority must be received at the Registry or at CMA's registered office at least 48 hours before the start of the General Meeting (being no later than 9:30 am (Australian Eastern Daylight Time) on 11 November 2019).

Proxies may be returned to Boardroom Pty Limited as follows:

By mail:

GPO Box 3993
Sydney NSW 2001
(a reply paid envelope is enclosed)

In person:

Level 12, 225 George Street
Sydney NSW 2000

By facsimile to:

+ 61 2 9290 9655

Undirected proxies

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote by marking either “For”, “Against” or “Abstain” against Resolutions 1 to 3 on the proxy form. If you do not direct your proxy how to vote, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.

If the Chairperson of the General Meeting is your proxy and the appointment directs the way the Chairperson is to vote, the Chairperson must vote on a poll, and must vote as directed, on the proxy form.

However, if the Chairperson is your proxy and you do not direct the way the Chairperson is to vote, then by signing and returning the proxy form you will be expressly authorising the Chairperson to vote as he sees fit. The Chairperson intends to vote available undirected proxies in favour of Resolutions 1 to 3.

IMPORTANT NOTES

Quorum

CMA's constitution provides that a quorum is two Securityholders at all times during the General Meeting present in person or by proxy or, in the case of a body corporate by representative, holding at least 10% by value of Securities in issue at such time prior to the date of the General Meeting as is determined by the responsible entity.

Required voting thresholds

The vote on the Resolutions will be conducted by way of a poll.

On a poll each Securityholder has one vote for each $1.00 of the value of the Securities.

The Resolutions are ordinary resolutions and will be passed if more than 50% of the votes cast on each Resolution is in favour of it.

Attendance

If you plan to attend the General Meeting, we ask that you arrive at the venue at least 15 minutes prior to the time designated for the General Meeting so that we may check the number of your Securities and register your attendance.

By order of the Board of Directors of Centuria Property Funds Limited.

Anna Kovarik
Company Secretary
17 October 2019

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared to provide Securityholders with information to assess the merits of the Resolutions to be put to them at the General Meeting to be held at 9.30 am on 13 November 2019.

Resolutions 1 and 2 are inter-conditional on each other being approved. If either Resolution 1 or 2 is not passed, then each of Resolutions 1 and 2 will be taken to have been rejected by Securityholders.

To provide Securityholders with information to enable them to assess Resolution 1, CPFL has obtained:

(a) the Independent Expert's Report (see Annexure A) which contains an analysis as to whether the 8 Central Avenue Acquisition from 8 Central Ave Fund No. 1 (an entity that is controlled by the responsible entity of CMA) is fair and reasonable to the existing Securityholders whose votes are not to be disregarded; and

(b) an independent valuation, a summary of which is annexed to the Independent Expert's Report (**Valuation Summary**) (see Annexure A). A copy of the full independent valuation will be sent to Securityholders on request, or alternatively a copy can be viewed at the offices of CMA.

You should read this Explanatory Memorandum, the Notice of General Meeting, the Independent Expert's Report and the Valuation Summary, carefully and in their entirety before making any decisions in relation to the Resolutions.

2. Background

2.1 Acquisitions

As announced to ASX on 18 September 2019, CMA and 8 Central Ave Fund No. 1, an unlisted property fund, have entered into a binding contract (**8 Central Avenue Contract**) in relation to the proposed purchase of a 50% freehold interest in 8 Central Avenue, Eveleigh NSW 2015 (**8 Central Avenue**). The 8 Central Avenue Contract is conditional on the approval of securityholders of both CMA and 8 Central Ave Fund No. 1.

The purchase price for the acquisition is approximately $191 million (**Purchase Price**) which was the market value of 8 Central Avenue as determined by Cushman & Wakefield (Valuations) Pty Limited (**Cushman & Wakefield**), a company that is part of the Cushman & Wakefield group, one of the largest global commercial real estate services firms. The independent valuation was commissioned jointly for securityholders of both CMA and 8 Central Ave Fund No. 1 and was relied upon to fix the Purchase Price.

The Valuation Summary is annexed to the Independent Expert's Report.

8 Central Avenue is an A-grade office building completed in 2010 and located within the 'South Eveleigh Precinct', 4km south of the Sydney CBD and within close proximity to Sydney University, Redfern train station and the Newtown Entertainment Precinct.

The site area of the property is approximately 17,269 square metres, with the building providing 36,570 square metres of net lettable area comprising 10 upper office levels including multiple television broadcasting/recording studios and set storage, a ground level lobby café and retail suite, and basement and mezzanine parking levels for 700 cars.

8 Central Avenue is currently fully occupied and has a weighted average lease expiry of
8.5 years.

A co-owners' agreement is in place in respect of 8 Central Avenue, executed 29 June 2015 between the co-owners of 8 Central Avenue, being CPFL as responsible entity of the 8 Central Ave Fund No. 1 and The Trust Company (Australia) Limited as custodian for the 8 Central Ave Fund No. 1 and CPFL as responsible entity of the Centuria 8 Central Avenue Fund No. 2 (**8 Central Ave Fund No. 2**) and The Trust Company (Australia) Limited as custodian for the 8 Central Ave Fund No. 2 (**Co-Owners' Agreement**).

As a term of the 8 Central Avenue Acquisition, CMA as the incoming purchaser of 8 Central Avenue is required to assume the rights and obligations of 8 Central Ave Fund No. 1 under the Co-Owners' Agreement. The purpose of the Co-Owners' Agreement is to maximise the value of 8 Central Avenue and the income received from it. A summary of the key terms of the Co-Owners' Agreement is set out in section 2.8.

CMA also announced the acquisition of 235 William Street, Northbridge WA 6003 (**William Square**) for $189.5 million. Details of the acquisition of William Square are set out in the announcement dated 18 September 2019.

2.2 Strategic rationale for acquiring 8 Central Avenue

The 8 Central Avenue Acquisition presents the following strategic benefits for CMA:

(a) investment into A-grade office building with approximately 8.5 years weighted average lease expiry in the Sydney metropolitan growth area of Eveleigh on a large 17,269 square metre site located in rapidly gentrifying area within close proximity to:

   i. Redfern Station – Sydney’s 6th busiest train station;

   ii. the Newtown Entertainment Precinct; and

   iii. major universities – Sydney University / UTS;

(b) the site should benefit from Mirvac’s investment into the Australian Technology Park precinct adding approximately 10,000 new workers to the area;

(c) the acquisition increases CMA's portfolio weighting to Sydney metropolitan office market from 24% to 29%, and increases portfolio weighted average lease expiry from approximately 3.9 years to approximately 4.8 years; and

(d) the acquisition benefits CMA’s tenant diversity and covenant, with the majority of the building anchored by prominent media organisation Seven Network (approximately 48% of income) and NSW Government (approximately 26% of income).

2.3 Equity raising component

CMA announced an underwritten equity raising on 18 September 2019 to raise $243 million to fund the acquisition of William Square and provide CMA sufficient headroom to debt fund the majority of the 8 Central Avenue Acquisition. The equity raising consisted of:

(a) an issue of approximately 49,161,070 Securities of $2.86 per Security to existing and new institutional investors which raised approximately $140.6 million (**Institutional Placement**); and

(b) an accelerated non-renounceable pro-rata entitlement offer (**ANREO**) (comprising both institutional and retail components) to raise approximately $101.9 million. The institutional component of the ANREO has already been completed. The retail component is expected to complete on or around the date of this Notice of General Meeting.

2.4 Funding the 8 Central Avenue Acquisition

It is proposed that the 8 Central Avenue Acquisition, subject to Securityholders approving Resolutions 1 and 2, will be partly funded from a drawdown under a new debt facility and a placement to CNI to raise approximately $30 million (**Conditional Placement**). Subject to Securityholder approval, CMA will issue approximately 10,489,511 million Securities at an issue price of $2.86 per Security to CNI under the Conditional Placement.

CPFL has proposed the Conditional Placement to reduce the impact on FY20 funds from operations (**FFO**) if the 8 Central Avenue Acquisition does not proceed. However, due to the delay between commitment, transaction approval and completion, CPFL recognised there is a limited universe of investors who would be willing to commit to subscribe for the Conditional Placement at the same issue price as the unconditional equity raising component.

As such, CPFL approached CMA's largest securityholder, CNI, to participate in the Conditional Placement in lieu of making a comparable investment through full participation in the ANREO. In addition to the Conditional Placement, CNI intends to take up $7.5 million of its entitlement under the ANREO.

Importantly, CNI agreed to commit to the Conditional Placement prior to the announcement of the transaction which provided funding certainty for the 8 Central Avenue Acquisition.

2.5 Financial impact of acquiring 8 Central Avenue

The following table outlines the financial impact on CMA of approving the 8 Central Avenue Acquisition and associated equity raising.

	Resolutions passed	Resolutions not passed with acquisition of William Square and Institutional Placement and ANREO proceeding
FY20 FFO cents per unit	19.0	18.7
FY20 DPU cents per unit	17.8	17.8
Proforma NTA	$2.51	$2.52
Proforma Gearing	34.9%	28.3%

2.6 Why are CMA unitholders being asked to vote?

For the purposes of Listing Rule 10.1, 8 Central Ave Fund No. 1 is considered to be a related party of CMA by virtue of the fact that it has the same responsible entity as CMA. Accordingly, the 8 Central Avenue Acquisition is an acquisition which requires Securityholder approval under Listing Rule 10.1.

Given that 8 Central Ave Fund No. 1 is an entity that has the same responsible entity as CMA, the 8 Central Avenue Acquisition also requires Securityholder approval pursuant to Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act). Consequently, Resolution 1 seeks Securityholder approval under Listing Rule 10.1 and Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act) for the 8 Central Avenue Acquisition.

2.7 Summary of the 8 Central Avenue Contract

As noted in section 2.1 of this Explanatory Memorandum, on 18 September 2019, CMA and 8 Central Ave Fund No. 1 entered into the 8 Central Avenue Contract, pursuant to which CMA agreed to acquire 8 Central Avenue.

Completion of the 8 Central Avenue Contract is conditional on the satisfaction of the following conditions precedent by 28 February 2020:

(a) Securityholders approving Resolution 1; and

(b) securityholders of 8 Central Ave Fund No. 1 approving the 8 Central Avenue Acquisition.

2.8 Summary of the Co-Owners' Agreement

As noted in section 2.1, as a term of the 8 Central Avenue Acquisition, CMA is required to assume the rights and obligations of 8 Central Ave Fund No. 1 under the Co-Owners' Agreement entered into by 8 Central Ave Fund No. 1 and 8 Central Ave Fund No. 2.

The term of 8 Central Ave Fund No. 2 expires on 1 January 2021 and may be extended for up to two years by a unanimous resolution of its investors or, where a unanimous resolution is not passed but all investors who vote against the resolution are given an opportunity to have their units sold or redeemed at the prevailing value of net tangible assets less sale costs.

The key terms of the Co-Owners' Agreement are as follows:

(a) (**Term**) the Co-Owners' Agreement commenced on 27 August 2015 and will terminate on the earlier of:

  i. the parties entering into a new deed;

  ii. the date that any co-owner becomes the sole owner; or

  iii. any other date agreed in writing;

(b) (**Restrictions in dealings**) under the Co-Owners' Agreement:

i. neither co-owner may bind the other to any agreement relating to 8 Central Avenue and all documents relating to 8 Central Avenue must be signed by both co-owners;

ii. a co-owner may not grant a mortgage of its respective interest in 8 Central Avenue without the written consent of the other co-owner, which consent will not be unreasonably withheld or delayed if:

a. the mortgage is over the whole of the owner's respective interest;

b. the mortgagee agrees that it and any receiver or manager it appoints will not enjoy rights greater than those of the co-owner seeking to grant the mortgage;

c. the mortgagee executes all documents in favour or the relevant parties whereby it agrees to be bound by the terms of the co-ownership agreement; and

d. the co-owner entering into the mortgage must reimburse the other owners costs arising from the transaction;

iii. where a co-owner wishes to transfer, sell, dispose of, lease, alienate or otherwise deal with its legal or beneficial interest in the registered subleases AF533673 and AF533672 (**Deal**), it must comply with the pre-emptive rights procedure set out in the Co-Owners' Agreement, under which its interest will first be offered to the other co-owner. If the other co-owner does not accept the proposed interest, the transferring co-owner can offer its interest to a third party. The pre-emptive rights provisions will not apply if the other party to the Dealing is a member of the co-owner's own group (that is, a co-owner, a related corporation of the co-owner or a trustee, custodian or responsible entity of any managed investment scheme property trust). Any incoming transferee (being a member of the co-owner's own group or otherwise) is required to sign an accession deed to the Co-Owners' Agreement; and

iv. in the event of a default under the Co-Owners' Agreement which subsists for a period of 3 months, the other co-owner is entitled to acquire the defaulting co-owner's interest in accordance with the procedure prescribed in the Co- Owners' Agreement;

(c) (**Entitlement to income**) under the Co-Owners' Agreement:

a. the co-owners will be entitled to receive all income earned by the registered subleases AF533673 and AF533672 in the proportions in which they hold their interests; and

b. unless the co-owners otherwise agree, the net cash flow from operations for each month must be distributed to the co-owners in the proportions in which they hold their interests as soon as reasonably possible after the end of each month. Any funds not distributed must be held in interest bearing accounts for the benefit of the co-owners;

(d) (**Committee**) the Co-Owners' Agreement provides for the establishment of a Co- Owners Committee, comprised of two members to represent each co-owner. The matters to be dealt with by the Co-Owners Committee include formulation of a business plan covering reviews of income and expenditure, formulation of strategies and review and agreement of a 5 year preventative maintenance and capital expenditure program;

(e) (**Property Management Agreement**) the Co-Owners' Agreement requires the co- owners to enter into a property management agreement. A property management agreement was executed on 1 May 2019 pursuant to which Centuria Property Services Pty Ltd was appointed as property manager; and

(f) (**Indemnity**) each co-owner indemnifies the other co-owner against all actions, suits, proceedings and claims as a result of a default by the indemnifying co-owner under the Co-Owners' Agreement or certain customary representations and warranties given by the co-owner in respect of the co-ownership of 8 Central Avenue. The Co-Owners' Agreement contains limitation of liability clauses in respect of the responsible entities and custodians.

2.9 Control implications

Before CMA undertook the ANREO and Institutional Placement, CNI and its associates had voting power of 24.9% in CMA.

CNI has taken up $7.5 million of its $25.4 million entitlement under the recently announced ANREO. Following completion of the ANREO and Institutional Placement but before the Conditional Placement, CNI and its associates will have voting power of 20.7% in CMA.

In addition to its participation in the ANREO, CNI intends to subscribe $30 million for Securities under the Conditional Placement. After the Conditional Placement CNI's voting power in CMA will be approximately 22.6%, assuming the Conditional Placement is approved and proceeds.

No person, other than CNI, which is already above the 20% voting power threshold, will exceed the 20% acquisition threshold.

3. Resolution 1 - Approval under Listing Rule 10.1 and Chapter 2E of the Corporations Act for the 8 Central Avenue Acquisition

3.1 Background

As noted above, CMA has entered into the 8 Central Avenue Contract with 8 Central Ave Fund No. 1 in relation to the 8 Central Avenue Acquisition.

CMA and 8 Central Ave Fund No. 1 are related parties for the purposes of the Listing Rules as 8 Central Ave Fund No. 1 has the same responsible entity as CMA.

Resolution 1 seeks approval from Securityholders to allow the Company to enter into the 8 Central Avenue Acquisition in compliance with Listing Rule 10.1 and Chapter 2E of the Corporations Act (as modified by Part 5C.7). If Securityholders do not approve Resolution 1, the 8 Central Ave Acquisition will not proceed. The financial effect of proceeding or not proceeding with the 8 Central Ave Acquisition is set out in section 2.5 above.

Resolution 1 is conditional on the approval of Resolution 2. If either Resolution 1 or 2 is not passed, then each of Resolutions 1 and 2 will be taken to have been rejected by Securityholders.

3.2 Summary of Listing Rule 10.1

Under Listing Rule 10.1, CMA must ensure that it does not acquire a 'substantial asset' from (or dispose of a 'substantial asset' to) a 'related party' of CMA without first obtaining the approval of Securityholders.

Under Listing Rule 10.2, an asset is substantial if *'its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules'*.

The Purchase Price to be paid in consideration for the 8 Central Avenue Acquisition comprises approximately 21.24% of the equity interests in CMA. Consequently, the 8 Central Avenue Acquisition is an acquisition of a 'substantial asset' from a related party.

Listing Rule 10.3 sets out a number of exceptions to Listing Rule 10.1, however none of these exceptions are relevant to the 8 Central Avenue Acquisition.

Accordingly, CMA requires the approval of Securityholders pursuant to Listing Rule 10.1 in order to complete the 8 Central Avenue Acquisition.

3.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act) prohibits:

(a) a responsible entity; or

(b) an entity that the responsible entity controls; or

(c) an agent of, or person engaged by, the responsible entity,

from giving a financial benefit to a person described in paragraphs (a), (b) or (c) above, or a related party of such persons, unless either:

(d) giving the financial benefit falls wholly within one of the nominated exceptions to the provisions; or

(e) prior securityholder approval is obtained to give the financial benefit no later than 15 months after receipt of the approval.

The proposed payment of the Purchase Price to 8 Central Ave Fund No. 1 in consideration for the 8 Central Avenue Acquisition constitutes giving a financial benefit. CPFL controls 8 Central Ave Fund No. 1 because it is the responsible entity of 8 Central Ave Fund No. 1.

Under section 210 of the Corporations Act, Securityholder approval does not need to be obtained for an entity to give a financial benefit to a related party if the financial benefit were given on terms that would be reasonable in the circumstances if CMA and the related party were dealing at arm's length or are less favourable to the related party than the terms referred to immediately above.

While the Directors consider that CMA and 8 Central Ave Fund No. 1 entered into the 8 Central Avenue Contract on arm's length terms, the Directors have not been able to obtain a quorum, as required under the Corporations Act, to resolve this view at a Board meeting.

Accordingly, CMA requires the approval of Securityholders pursuant to Chapter 2E of the Corporations Act (as modified by Part 5C.7) in order to authorise and approve the 8 Central Avenue Acquisition.

As set out in section 2.8 above, under the Co-Owners' Agreement entered into in respect of 8 Central Avenue, 8 Central Ave Fund No. 1 is restricted from transferring its interest to a third party unless the pre-emptive rights process prescribed in the agreement is followed. An exception to this restriction is that the interest can be transferred to an entity which has the same responsible entity as 8 Central Ave Fund No. 1.

3.4 Information required in relation to Securityholder approval

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided in relation to the 8 Central Avenue Acquisition:

(a) the relationship of the parties is that 8 Central Ave Fund No. 1 has the same responsible entity as CMA;

(b) the nature of the financial benefit to be provided to 8 Central Ave Fund No. 1 is the proposed payment of the Purchase Price under the 8 Central Avenue Contract;

(c) the Purchase Price will be paid to 8 Central Ave Fund No. 1 no later than 15 months after the date of the General Meeting (or such later date as permitted by any ASIC modification of the Corporations Act) and it is anticipated that the Purchase Price will be paid in full to 8 Central Ave Fund No. 1 on or about on 31 October 2019;

(d) the value of the consideration and the pricing methodology is set out in the Independent Expert's Report; and

(e) except for the fact that CMA and 8 Central Ave Fund No. 1 have the same responsible entity, 8 Central Ave Fund No. 1 does not have any other interest in CMA.

In terms of identifying the possible financial benefit that CMA or 8 Central Ave Fund No. 1 may receive from the 8 Central Avenue Acquisition, if the Purchase Price (being the market value of 8 Central Avenue as determined by Cushman & Wakefield) is higher than the price that could have been achieved had 8 Central Avenue been sold on the open market following a suitable marketing campaign, CMA will be giving 8 Central Ave Fund No. 1 a financial benefit (and vice versa).

The 8 Central Avenue Contract is in a standard form, includes customary terms and was negotiated by two law firms separately representing CMA and 8 Central Ave Fund No. 1.

3.5 Summary of Independent Expert's Report

Under Listing Rule 10.10.2, a notice of meeting seeking securityholder approval for the purposes of Listing Rule 10.1 must include a report on the 8 Central Avenue Acquisition from an independent expert. The report must state the independent expert's opinion as to whether the transaction is fair and reasonable to the Securityholders whose votes are not to be disregarded.

CMA has appointed Lonergan Edwards & Associates Limited (**Lonergan**) as an independent expert and commissioned it to prepare a report to provide an opinion as to whether or not the 8 Central Avenue Acquisition from 8 Central Ave Fund No. 1 is fair and reasonable to the existing Securityholders whose votes are not to be disregarded for the purposes of Listing Rule 10.1.

A copy of Lonergan's report dated 11 October 2019 in relation to the 8 Central Avenue Acquisition (**Independent Expert's Report**) is annexed to this Explanatory Memorandum as Annexure A.

Lonergan has concluded in the Independent Expert's Report that the 8 Central Avenue Acquisition is fair and reasonable to the existing Securityholders.

The opinion of Lonergan was not required nor sought on the Conditional Placement.

The Conditional Placement is being made at the same issue price as was determined for the arm's length Institutional Placement and ANREO.

The Directors recommend that Securityholders read the Independent Expert's Report in full.

3.6 Valuation Summary

The Purchase Price for 8 Central Avenue is $191 million which reflects the independent valuation of 8 Central Avenue. The Valuation Summary is a summary of the independent valuation prepared by Cushman & Wakefield and is annexed to the Independent Expert's Report. A copy of the full independent valuation prepared by Cushman & Wakefield can be requested from CPFL or viewed at the offices of CMA upon request.

Cushman & Wakefield were appointed as independent valuers on behalf of both 8 Central Ave Fund No. 1 and CMA and the Valuation Summary was addressed to Lonergan (this is attached to the Independent Expert's Report).

3.7 Directors' recommendation

Each of the Directors is also a director of CPFL, the responsible entity of both CMA and the 8 Central Avenue Fund No. 1.

Consequently, the Directors each have a conflict of duty in relation to Resolution 1 due to the duties they owe to unitholders in each of CMA and the 8 Central Avenue Fund No.
1. As a result of this, the Directors do not consider it appropriate to make a recommendation to Securityholders in relation to how to vote on Resolution 1.

3.8 Consents

Lonergan has consented to the inclusion of the Independent Expert's Report and the statements said to be based on a statement by Lonergan in this Notice of Meeting in the form and context in which they have been included and as at the date of this Notice of Meeting it had not withdrawn that consent.

Cushman & Wakefield has consented to the inclusion of the Valuation Summary and the statements said to be based on its independent valuation of 8 Central Avenue or the Valuation Summary in this Notice of Meeting in the form and context in which they have been included and as at the date of this Notice of Meeting it had not withdrawn that consent.

4. Resolution 2 - Approval under Listing Rule 10.11 for the issue of Securities pursuant to the Conditional Placement

4.1 Background

As noted in section 2.4 of this Explanatory Memorandum, subject to Securityholder approval of Resolution 2, the 8 Central Avenue Acquisition will be partially funded by the Conditional Placement.

Resolution 2 seeks Securityholder approval for the issue of up to 10,489,511 Securities to CNI, which is a related party of CMA, under the Conditional Placement.

Resolution 2 is conditional on the approval of Resolution 1. If either Resolution 1 or 2 is not passed, then each of Resolutions 1 and 2 will be taken to have been rejected by Securityholders.

4.2 Listing Rule 10.11

Listing Rule 10.11 provides that, unless an exception in Listing Rule 10.12 applies, CMA must obtain the approval of Securityholders if it issues, or agrees to issue, Securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

None of the exceptions in Listing Rule 10.12 is relevant to the Conditional Placement. Accordingly, CMA requires the approval of Securityholders in order to issue Securities to CNI pursuant to the Conditional Placement.

4.3 Information required under Listing Rule 10.13

As noted above, pursuant to the Institutional Placement 49,161,070 Securities were issued and pursuant to the ANREO 35,630,629 Securities have or will shortly be issued to approximately 2,460 CMA Securityholders. All of those Securities and the Securities that is proposed will be issued under the Conditional Placement have an issue price of
$2.86 each.

The Securities issued under the Conditional Placement will be issued on the same terms as the other Securities on issue, or to be issued, and there are no other material terms of the Conditional Placement (other than that the issue of Securities under it is conditional on CMA Securityholder approval).

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed approval of the issue of Securities to CNI pursuant to the Conditional Placement:

Name of the person	CNI.
Maximum number of Securities CMA is to issue	10,489,511 Securities.
Date on or by which CMA will issue the Securities	The Securities will be issued no later than 1 month after the date of the General Meeting and it is intended that issue of the Securities will occur on the same date as the General Meeting occurs.

Relationship between the person and the responsible entity that requires the approval to be obtained	CNI is a related party of CMA as CNI controls CPFL, the responsible entity of CMA.
Issue price	$2.86 per Security.
Terms of the Securities	The Securities will be issued on the same terms as existing fully paid, ordinary Securities on issue.
Use of funds	To partially fund the 8 Central Avenue Acquisition.

5. Resolution 3 - Ratification of the issue of Securities pursuant to the Institutional Placement

5.1 Background

As noted in section 2.3 of this Explanatory Memorandum, the acquisition of William Square will be partially funded by the Institutional Placement. The Securities the subject of the Institutional Placement were issued on 2 October 2019.

Resolution 3 seeks Securityholder approval for the ratification of the issue of up to 49,161,070 Securities to institutional investors at an issue price of $2.86 per Security to raise approximately $140.6 million under the Institutional Placement.

5.2 Listing Rule 7.4

Listing Rule 7.1 provides that the number of Securities that can be issued or agreed to be issued by CMA in any 12 month period is limited to 15% of the Securities on issue in CMA at the commencement of that 12 month period, unless:

- an exemption in the Listing Rules applies; or
- CMA has obtained approval from its Securityholders.

Under Listing Rule 7.4, an issue of Securities without approval under Listing Rule 7.1 may be treated as having been made with Securityholder approval for the purpose of Listing Rule 7.1 if:

- the issue did not breach Listing Rule 7.1; and
- holders of ordinary Securities subsequently approve it.

The purpose of Resolution 3 is to refresh CMA's placement capacity to issue, or agree to issue Securities under Listing Rule 7.1 and to provide CMA with the maximum flexibility as to how it manages its future capital requirements, especially having regard to its current growth strategy.

Accordingly, approval is sought for the purposes of Listing Rule 7.4 to ratify the issue of Securities made under the Institutional Placement.

5.3 Information required under Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the Institutional Placement:

Maximum number of Securities CMA is to issue	49,161,070 Securities.
Date on or by which CMA will issue the Securities	The Securities were issued on 2 October 2019.
Issue price	$2.86.
Terms of the Securities	The Securities were issued on the same terms as existing fully paid, ordinary Securities on issue.
Name of the persons to whom CMA is to issue the Securities or the basis on which those persons were determined	The Securities were issued to institutional investors, none of whom were related parties of CMA.
Use of funds	To partially fund the acquisition of William Square.

Glossary

In this Notice of Meeting the following words have the meanings shown:

8 Central Avenue	50% freehold interest in the land and building at 8 Central Avenue, Eveleigh NSW 2015.
8 Central Avenue Acquisition	the acquisition of 8 Central Avenue by CMA from 8 Central Ave Fund No. 1.
Central Avenue Contract	the binding contract in relation to the 8 Central Avenue Acquisition.
8 Central Ave Fund No. 1	Centuria 8 Central Ave Fund No. 1 ABN 45 378 527 942 or CPFL as responsible entity of Centuria 8 Central Ave Fund No. 1, as the context requires.
8 Central Ave Fund No. 2	Centuria 8 Central Avenue Fund No. 2 ARSN 605 264 211.
Acquisitions	the 8 Central Avenue Acquisition and the acquisition of William Square.
ANREO	the accelerated non-renounceable pro-rata entitlement offer of Securities to raise approximately $101.9 million.
ASX	ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
Board	the board of Directors.
Chairperson	the person appointed by the Board to act as chairperson of the General Meeting.
CMA	Centuria Metropolitan REIT ARSN 124 364 718 or CPFL as responsible entity of Centuria Metropolitan REIT, as the context requires.
CNI	the listed stapled entity comprised of Centuria Capital Limited ACN 095 454 336 and Centuria Funds Management Limited ACN 607 153 588 as responsible entity of the Centuria Capital Fund ARSN 613 856 358.
Conditional Placement	the placement announced by CMA to the ASX on 18 September 2019, pursuant to which CMA will issue 10,489,511 Securities to CNI.
Corporations Act	the *Corporations Act 2001* (Cth).
CPFL	Centuria Property Funds Limited ACN 086 553 639.
Cushman & Wakefield	Cushman & Wakefield (Valuations) Pty Limited, which prepared the Valuation Summary.
Director	a director of CPFL.
Explanatory Memorandum	this explanatory memorandum.
FFO	funds from operations.
General Meeting	the general meeting of the Securityholders of CMA to be held on 13 November 2019 at 9:30 am.
Independent Expert's Report	the independent expert's report dated 11 October 2019 provided by Lonergan, included as Annexure A.

Institutional Placement	the institutional placement announced by CMA to the ASX on18 September 2019, pursuant to which CMA issued 49,161,070 Securities to existing and new institutional investors.
Listing Rules	the listing rules of the ASX.
Lonergan	Lonergan Edwards & Associates Limited.
Notice of General Meeting	this notice of general meeting, including the Explanatory Memorandum.
Purchase Price	the purchase price of $191 million, to be paid as consideration for the 8 Central Avenue Acquisition under the 8 Central Avenue Contract.
Registry	Boardroom Pty Limited.
Resolutions	Resolution 1, Resolution 2 and Resolution 3.
Security	a fully paid ordinary unit in CMA.
Securityholder	a holder of a Security.
Valuation Summary	a summary of the independent valuation prepared by Cushman & Wakefield, a copy of which is annexed to the Independent Expert's Report.
William Square	100% freehold interest in William Square, the land and building at 235 William Street, Northbridge WA 6003.

Annexure A - Independent Expert's Report

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The Directors
Centuria Property Funds Limited
As responsible entity for the Centuria Metropolitan REIT
Level 41, Chifley Tower
2 Chifley Square
Sydney NSW 2000

11 October 2019

Subject: Proposed acquisition of an interest in a property asset from a related party

Dear Directors

Introduction

The Proposal

1 On 18 September 2019, Centuria Property Funds Limited (CPFL), in its capacity as the responsible entity (RE) for the Centuria Metropolitan REIT (CMA or the Fund) and the Centuria 8 Central Ave Fund (Central Ave Fund), announced that the two funds had entered into a binding contract (the Agreement), pursuant to which it is proposed that CMA will acquire a 50% freehold interest in 8 Central Avenue, Eveleigh NSW 2015 (8 Central Avenue or the Property) from the Central Ave Fund for $191.0 million in cash (the Proposal).

2 CMA intends to fund the purchase of 8 Central Avenue via the drawdown of debt and a conditional placement of 10.5 million units in CMA to Centuria Capital Group (Centuria)[1] at $2.86 per unit, to raise approximately $30 million (Conditional Placement).

3 Both the Proposal and the Conditional Placement require CMA unitholder approval. They are also inter-conditional, in that both must be approved in order for either to proceed. The Agreement is also subject to the satisfaction, or waiver, of a number of other conditions precedent (as summarised in Section I of our report).

Other transactions and equity raising

4 In addition to the above, CPFL (in its capacity as RE for CMA), announced on 18 September 2019, that CMA:

(a) has also entered into an agreement to acquire 235 William Street, Northbridge WA 6003 (William Square) for $189.5 million cash

[1] Centuria comprises Centuria Capital Limited and its subsidiaries (including CPFL) and the Centuria Capital Fund and its subsidiaries.

(b) will undertake a $243 million fully underwritten equity raising at an issue price of $2.86 per unit (Equity Raising), to partially fund the acquisition of William Square and provide CMA with sufficient headroom to debt fund the majority of the 8 Central Avenue acquisition. The Equity Raising comprises:

(i) an underwritten institutional placement to existing and new institutional investors to raise approximately $141 million (Institutional Placement)

(ii) a 1-for-10 accelerated non-renounceable entitlement offer (comprising both institutional and retail components) to raise approximately $102 million (Entitlement Offer).

5 The William Square acquisition, Institutional Placement and Entitlement Offer will all be completed prior to the CMA unitholder meeting concerning the Proposal and the Conditional Placement. New units issued under the Equity Raising and Conditional Placement will rank equally with existing CMA units from the date of issue, however, as they are issued after the distribution record date, new units will not be entitled to the distribution for the quarter ending 30 September 2019 of 4.45 cents per security.

6 Centuria, CMA's largest unitholder, has committed to take up $7.5 million of its entitlements under the Entitlement Offer and a further $30 million under the Conditional Placement, for a total of $37.5 million. Centuria's interest in CMA will decrease from 24.9% to 20.7% (as a result of the Equity Raising) but increase back to 22.6% should the Proposal and Conditional Placement be approved and implemented.

CMA

7 CMA is an externally managed real estate investment trust (REIT) that listed on the Australian Securities Exchange (ASX) on 10 December 2014. The Fund, which is managed by CPFL, is focused on generating sustainable and quality income streams and executing initiatives to create value across a portfolio of quality Australian office assets. CMA is Australia's largest domestic pure play office REIT and owns a portfolio of 20 metropolitan office properties worth approximately $1.4 billion geographically diversified across Sydney, Melbourne, Brisbane, Perth, Canberra and Adelaide.

8 Central Avenue

8 8 Central Avenue is an 11-level A-grade office building completed in 2010 and located within the commercial precinct known as "South Eveleigh", an inner southern locale approximately four kilometres south of the Sydney central business district (CBD) and within close proximity to Sydney University, Redfern train station and the Newtown Entertainment Precinct.

9 The asset comprises 10 upper office levels including multiple television broadcasting / recording studios and set storage, a ground level lobby café and retail suite and basement and mezzanine parking levels for 700 cars. It is currently fully tenanted and has a weighted average lease expiry (WALE) of 8.5 years.

10 8 Central Avenue is presently owned 50:50 (as tenants-in-common) by two closed-end unlisted property funds, the Central Ave Fund, which is in the process of being wound-up, and the Centuria 8 Central Ave Fund No. 2 (Central Ave Fund No. 2). CPFL is the RE of both the Central Ave Fund and Central Ave Fund No. 2.

Scope

11 The Proposal is considered a related party transaction under both Chapter 2E of the *Corporations Act 2001* (Cth) (Corporations Act)[2] and ASX Listing Rule 10.1, and must be approved by way of an ordinary resolution (at a general meeting) by the unitholders in CMA that are not associated with the Central Ave Fund (Non-Associated CMA Unitholders).

12 ASX Listing Rule 10.2 requires the notice of general meeting to include a report from an independent expert stating whether the transaction is "fair and reasonable" to the Non-Associated CMA Unitholders. Whilst there is no specific requirement for a report from an independent expert under the Corporations Act, the notice of meeting sent to unitholders must include all information that is reasonably required in order for unitholders to decide whether it is in their best interests to pass the proposed resolution.

13 Accordingly, the Directors of CPFL, acting as RE for CMA, have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA's opinion, the Proposal is fair and reasonable to the Non-Associated CMA Unitholders and the reasons for that opinion.

14 LEA is independent of Centuria (including CPFL), CMA, the Central Ave Fund and the Central Ave Fund No. 2 and has no involvement with or interest in the outcome of the Proposal other than the preparation of this report.

Summary of opinion

15 LEA has concluded that the Proposal is fair and reasonable to the Non-Associated CMA Unitholders, in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Assessment of fairness and reasonableness

16 As set out in Section V, based upon the independent property valuation prepared by Cushman & Wakefield[3], we have assessed the value of a 50% interest in 8 Central Avenue at between $181.0 million to $201.0 million.

17 If the Proposal is approved and implemented, CMA will acquire the 50% interest in 8 Central Avenue for cash consideration of $191.0 million.

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2 The restrictions of which also apply (with some modification) to registered managed investment schemes (such as CMA) pursuant to Part 5C.7 of the Corporations Act.

3 A global commercial real estate services company that is headquartered in Chicago and listed on the New York Stock Exchange.

18 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111), the Proposal is "fair" if the value of what is acquired by the entity from the related party is greater than, or equal to the value of the consideration offered.

19 As our assessed value of a 50% interest in 8 Central Avenue is consistent with the value of the consideration offered, in our opinion, the Proposal is fair to the Non-Associated CMA Unitholders based on the guidelines set out in RG 111.

20 Pursuant to RG 111, the Proposal is reasonable if it is fair. Consequently, in our opinion, the Proposal is also "reasonable" to the Non-Associated CMA Unitholders.

Summary of advantages and disadvantages

21 We summarise below the likely advantages and disadvantages of the Proposal from the perspective of the Non-Associated CMA Unitholders:

Advantages

(a) the assessed value of a 50% interest in the Property is consistent with the value of the consideration offered, therefore the Proposal is considered fair to the Non-Associated CMA Unitholders based on the guidelines set out in RG 111

(b) the Proposal is expected to be marginally accretive on a funds from operations (FFO) per unit basis

(c) the purchase of 8 Central Avenue aligns with the Fund's investment mandate and improves CMA's overall portfolio metrics (e.g. occupancy, WALE, lease expiry profile, average building age etc)

(d) CMA may have the opportunity to acquire the remaining 50% interest in the Property in the short-to-medium term (if the current expiry date of the Central Ave Fund No. 2 is not extended beyond 1 January 2021)

Disadvantages

(e) net tangible assets (NTA) per unit will marginally decrease as a result of the Proposal (to $2.51 per CMA unit on a 30 June 2019 pro-forma basis), primarily due to the transaction costs associated with the acquisition of the Property

(f) CMA's gearing will increase from 28.3% to 34.9% (on a 30 June 2019 pro-forma basis) which is at the upper end of the Fund's target gearing range of 25.0% to 35.0%. However, we note that subsequent to the planned divestment of 483-517 Kingsford Smith Drive, Hamilton, QLD (Hamilton) (which is currently held for sale) gearing is forecast to reduce to approximately 31.9%.

22 Based on the above, we consider the advantages of the Proposal to outweigh the disadvantages when considered from the perspective of the Non-Associated CMA Unitholders. Accordingly, in our opinion, the Proposal is fair and reasonable to the Non-Associated CMA Unitholders, in the absence of a superior proposal.

General

23 In preparing this report we have considered the interests of CMA unitholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual unitholders.

24 The ultimate decision whether to approve the Proposal should be based on each CMA unitholder's assessment of their own circumstances. If CMA unitholders are in doubt about the action they should take in relation to the Proposal or matters dealt with in this report, CMA unitholders should seek independent professional advice.

25 For our full opinion on the Proposal and the reasoning behind our opinion, we recommend that CMA unitholders read the remainder of our report.

Yours faithfully

Nathan Toscan	Martin Holt
Authorised Representative	Authorised Representative

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Appendices

I The Proposal

Summary

The Proposal

26 On 18 September 2019, Centuria Property Funds Limited (CPFL), in its capacity as the responsible entity (RE) for the Centuria Metropolitan REIT (CMA or the Fund) and the Centuria 8 Central Ave Fund (Central Ave Fund), announced that the two funds had entered into a binding contract, pursuant to which it is proposed that CMA will acquire a 50% freehold interest in 8 Central Avenue, Eveleigh NSW 2015 (8 Central Avenue or the Property) from the Central Ave Fund for $191.0 million in cash (the Proposal).

27 CMA intends to fund the purchase of 8 Central Avenue via the drawdown of debt and a conditional placement of 10.5 million units in CMA to Centuria Capital Group (Centuria)[4] at $2.86 per unit, to raise approximately $30 million (Conditional Placement).

28 Both the Proposal and the Conditional Placement require CMA unitholder approval. They are also inter-conditional, in that both must be approved in order for either to proceed. The Agreement is also subject to the satisfaction, or waiver, of a number of other conditions as outlined below.

Other transactions and equity raising

29 In addition to the above, CPFL (in its capacity as RE for CMA), announced on 18 September 2019, that CMA:

(a) had also entered into an agreement to acquire 235 William Street, Northbridge WA 6003 (William Square) for $189.5 million cash

(b) will undertake a $243 million fully underwritten equity raising at an issue price of $2.86 per unit (Equity Raising), to partially fund the acquisition of William Square and provide CMA with sufficient headroom to debt fund the majority of 8 Central Avenue. The Equity Raising comprises:

(i) an underwritten institutional placement to existing and new institutional investors to raise approximately $141 million (Institutional Placement)

(ii) a one for 10 accelerated non-renounceable entitlement offer (comprising both institutional and retail components) to raise approximately $102 million (Entitlement Offer).

30 The William Square acquisition, Institutional Placement and Entitlement Offer will all be completed prior to the CMA unitholder meeting concerning the Proposal and the Conditional Placement. New units issued under the Equity Raising and Conditional Placement will rank equally with existing CMA units from the date of issue, however, as they are issued after the distribution record date, new units will not be entitled to the distribution for the quarter ending 30 September 2019 of 4.45 cents per security.

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4 Centuria comprises Centuria Capital Limited and its subsidiaries (including CPFL) and the Centuria Capital Fund and its subsidiaries.

31 Centuria, CMA's largest unitholder, has committed to take up $7.5 million of its entitlements under the Entitlement Offer and a further $30 million under the Conditional Placement, for a total of $37.5 million. Centuria's interest in CMA will decrease from 24.9% to 20.7% (as a result of the Equity Raising) but increase back to 22.6% should the Proposal and Conditional Placement be approved and implemented.

Conditions

32 The Agreement is subject to the satisfaction, or waiver of a number of conditions precedent, which include:

(a) approval by CMA unitholders for the acquisition of a 50% freehold interest in 8 Central Avenue

(b) approval from unitholders of the Central Ave Fund via a special resolution.

33 The above listing is a summary only and further detail on the above conditions is set out in the Notice of Meeting and Explanatory Memorandum.

II Scope of our report

Purpose

Corporations Act

34 Chapter 2E of the Corporations Act prohibits (in all but limited circumstances[5]) a public company from "giving a financial benefit" to a "related party" without the approval of the securityholders that are not a party to the transaction. Giving a financial benefit to a related party includes buying an asset from or selling an asset to a related party.

35 Pursuant to Part 5C.7 of the Corporations Act, an RE, an entity that the RE controls or an agent of, or person engaged by, the RE is prohibited from giving a financial benefit to any of the aforementioned parties unless an exception applies or securityholder approval is first obtained.

36 The Central Ave Fund and CMA are both entities controlled by the same RE, being CPFL. Consequently, the acquisition requires unitholder approval pursuant to Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act) unless an exception applies. The Directors of CPFL have not been able to form a quorum, as required under the Corporations Act, to resolve whether any of the exceptions to Chapter 2E of the Corporations Act (as modified by Part 5C.7) apply to the Proposal[6]. As such, CMA is unable to rely upon the "arm's length terms" exception and is required to obtain CMA unitholder approval for the Proposal under Chapter 2E of the Corporations Act (as modified by Part 5C.7).

37 Whilst there is no specific requirement for an IER under the Corporations Act, the notice of meeting sent to members must include all information that is reasonably required in order for the members to decide whether it is in their best interests to pass the proposed resolution.

ASX Listing Rules

38 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to (amongst others) a related party, or a substantial securityholder[7], or associates of either without the approval of the holders of the entity's ordinary securities. Approval is required by resolution at a general meeting.

39 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity as set out in the latest accounts provided to the ASX under the ASX Listing Rules.

40 As a result of the consideration proposed to be paid for 8 Central Avenue exceeding 5% of the book value of the equity in CMA as set out in the latest accounts given to the ASX (being as at 30 June 2019) and the Central Ave Fund being considered a related party of CMA, by

5 For example, if the financial benefit is considered to be given on "arm's length terms".

6 Each of the Directors are conflicted, as they are each Directors of CPFL in its capacity as RE of CMA and in its capacity as RE of the Central Ave Fund. Consequently, a quorum to vote on this view cannot be formed.

7 A substantial securityholder is a person that holds a relevant interest in the entity of 10% or more (or has held the same at any time in the last six months).

virtue of the fact that it has the same RE as CMA, the Proposal is considered to be a related party transaction under ASX Listing Rule 10.1.

41 ASX Listing Rule 10.10.2 requires that the notice of general meeting include a report from an independent expert stating whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

Our engagement

42 Given the above, the Directors of CPFL, acting as RE for CMA, have requested that LEA prepare an IER stating whether the Proposal is fair and reasonable to the Non-Associated CMA Unitholders and the reasons for that opinion.

43 This report has been prepared by LEA for the benefit of CMA unitholders to assist them in considering the resolution to approve the Proposal. Our report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to CMA unitholders. The sole purpose of our report is to determine whether, in our opinion, the Proposal is fair and reasonable to the Non-Associated CMA Unitholders. This report should not be used for any other purpose.

44 The ultimate decision whether to approve the Proposal should be based on each CMA unitholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposal or matters dealt with in this report, CMA unitholders should seek independent professional advice.

Basis of assessment

45 In preparing our report, we have had regard to the Regulatory Guides issued by ASIC, particularly Regulatory Guide 76 – *Related Party Transactions* and RG 111, as well as the ASX Listing Rules.

46 The ASX Listing Rules do not define the meaning of, or describe the test to be applied in determining whether a related party transaction is "fair and reasonable". We note however, that RG 111 expressly states that the evaluation of a related party transaction should be based upon a separate assessment of "fairness" and "reasonableness". RG 111 further states that the transaction should not be assessed simply by reference to the advantages and disadvantages of the transaction (as ASIC does not consider this to provide members with sufficient valuation information).

47 Pursuant to RG 111, a related party transaction per ASX Listing Rule 10:

(a) is "fair" if the value of what is acquired by the entity from the related party (in this case a 50% interest in 8 Central Avenue) is greater than or equal to the value of the consideration provided (in this case, the cash consideration). Importantly, the value of the asset acquired is to be determined based upon market value principles (i.e. assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length, noting that any special value that may be derived by a particular "bidder" should not be taken into account[8])

[8] e.g. synergies that are not available to other bidders.

(b) is "reasonable" if it is "fair". It might also be "reasonable" if, despite being "not fair", the expert believes there are sufficient reasons for securityholders to vote in favour of the proposal.

48 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the Proposal is "fair and reasonable" to the Non-Associated CMA Unitholders is to consider:

(a) the market value of a 50% interest in 8 Central Avenue

(b) the consideration to be paid by CMA

(c) the extent to which (a) and (b) differ in order to assess whether the Proposal is "fair"

(d) the impact of the Proposal on the ownership and control of CMA

(e) the impact of the Proposal on the financial performance and position of CMA

(f) the compatibility of the Property with CMA's investment mandate and current portfolio

(g) the implications for CMA if the Proposal is not implemented

(h) other qualitative and strategic issues associated with the Proposal and the extent to which, on balance, they may advantage or disadvantage Non-Associated CMA Unitholders.

Limitations and reliance on information

49 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

50 Our report is also based upon financial and other information provided by CMA and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

51 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposal. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

52 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

53 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

54 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

55 In forming our opinion, we have also assumed that:

(a) the information set out in the Notice of Meeting and Explanatory Memorandum is complete, accurate and fairly presented in all material respects

(b) if the Proposal becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the Notice of Meeting and Explanatory Memorandum.

III Profile of CMA

Overview

56 CMA is an externally managed REIT that listed on the ASX on 10 December 2014. The Fund, which is managed by CPFL, is focused on generating sustainable and quality income streams and executing initiatives to create value across a portfolio of quality Australian office assets. CMA is Australia's largest domestic pure play office REIT and owns a portfolio of 20 metropolitan office properties worth approximately $1.4 billion geographically diversified across Sydney, Melbourne, Brisbane, Perth, Canberra and Adelaide.

57 A summary of the key statistics of CMA is set out below:

CMA – key statistics

Fund commencement date	2005
RE	CPFL
Custodian	Australian Executor Trustees Limited
Interest held by Centuria(1)(2)	24.9%
Number of properties held(3)	20
Average asset age (years)	15.9
Gross assets as at 30 June 2019 ($m)	1,429.4
Gross rental income FY19 ($m)	108.9
Distributions	Paid quarterly
FY19 distribution (cents per unit)	17.6
Forecast FY20 distribution (cents per unit)	17.8

Note:
1 The interest is held by various entities that form part of, or are associated with Centuria.
2 As at 17 September 2019, being the last trading day prior to the announcement of the Proposal.
3 Includes Hamilton which is currently held for sale.
Source: CMA FY19 Financial Report.

58 The RE of CMA is CPFL, a wholly owned member of Centuria. Centuria manages $5.3 billion of real estate assets across two listed funds[9], 14 unlisted fixed term property funds, wholesale relationships, the unlisted Centuria Diversified Property Fund and Centuria Heathley Healthcare real estate.

59 The RE is entitled to a management fee which is calculated at 0.60% per annum (plus GST[10]) of the gross value of assets held. However, the RE has elected to charge a lower management fee of 0.55% (plus GST), which is paid monthly in arrears. Other fees charged by the RE include custodian fees, property management fees, leasing fees, due diligence fees and project management fees. The custodian to the fund is Australian Executor Trustees Limited.

9 Being CMA and Centuria Industrial REIT, Australia's largest domestic pure play industrial REIT.
10 Goods and services tax (GST).

60 A summary of the key historical developments of CMA since listing on the ASX follows:

CMA – history

Date	Key development
Dec 14	• CMA listed on the ASX
Apr 15	• CMA raised approximately $100 million (via a 2-for-3 accelerated non-renounceable entitlement offer) to partially fund the $129 million acquisition of four commercial office assets located in Adelaide, Canberra and the Gold Coast
Oct 15	• CMA acquired a 50% direct interest in 203 Pacific Highway, St Leonards, NSW for $43.0 million
Nov 16	• CMA acquired approximately 8.76% of Centuria Urban REIT(1) (CUA)
Mar 17	• CMA announced a merger proposal with CUA, by way of acquiring 100% of the units in CUA that it did not already own. The transaction completed in June 2017
Jul 17	• CMA raised some $90 million (via a $25 million institutional placement and a $65 million (1-for-6.4) accelerated non-renounceable entitlement offer) to partially fund the $150 million acquisition of two new commercial office assets located in Perth and the Target Australia headquarters building in Victoria
Dec 17	• CMA raised approximately $60 million (via a 1-for-8.65 accelerated non-renounceable entitlement offer) to partially fund the acquisition of two metropolitan office properties located in NSW for a total purchase price of $119.1 million
Oct 18	• CMA acquired interests in four metropolitan office assets for approximately $500 million. The purchase was partially funded by a fully underwritten $276 million equity capital raising
Jan 19	• CMA exchanged contracts for the sale of the Fund's last remaining industrial asset and became a pure play office REIT

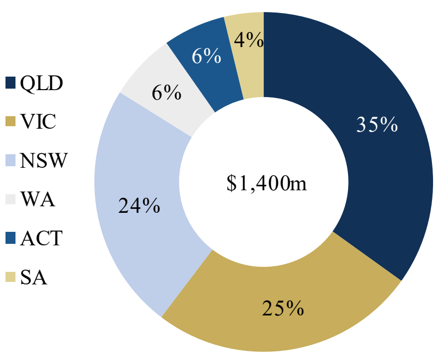
Note:
1 CUA was formerly known as 360 Capital Office Fund.

Portfolio overview

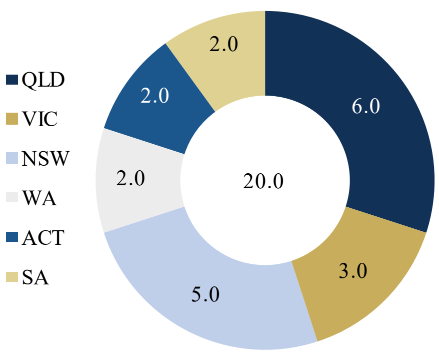
61 CMA is a pure play office REIT which holds property interests throughout the major Australian office markets. A summary of CMA's portfolio by location is set out below:

CMA – portfolio by location(1)

Location of properties by value



Location of properties by number



Note:
1 Includes Hamilton, which is currently held for sale.

62 A summary of the individual properties held by CMA is set out below:

CMA – property portfolio overview		Valuation $m	NLA[1] sqm	Occupancy %[2]	WALE[3] years	Cap rate %
201 Pacific Highway, St Leonards (50%)	NSW	101.5[4]	16,489	99.5	4.0	5.75
9 Help Street, Chatswood	NSW	84.0[4]	9,395	100.0	2.6	5.75
203 Pacific Highway, St Leonards (50%)	NSW	65.8[4]	11,734	99.6	4.3	5.88
465 Victoria Avenue, Chatswood (25%)	NSW	41.6[5]	15,664	100.0	4.4	5.75
77 Market Street, Wollongong	NSW	36.2[5]	6,755	100.0	6.0	7.25
818 Bourke Street, Docklands	VIC	224.0[5]	23,271	100.0	3.2	5.25
576 Swan Street, Richmond	VIC	68.0[4]	8,331	100.0	2.7	5.50
2 Kendall Street, Williams Landing	VIC	64.3[5]	12,961	100.0	9.4	5.88
825 Ann Street, Fortitude Valley	QLD	164.0[5]	19,155	100.0	4.2	6.25
154 Melbourne Street, South Brisbane	QLD	83.5[4]	11,283	85.7	3.9	6.50
100 Brookes Street, Fortitude Valley	QLD	79.5[5]	9,519	100.0	3.7	6.25
35 Robina Town Centre Drive, Robina	QLD	54.0[4]	9,814	100.0	4.3	7.25
555 Coronation Drive, Toowong	QLD	29.0[5]	5,567	60.7	3.2	7.75
60 Marcus Clarke, Canberra	ACT	62.0[4]	12,098	100.0	2.0	7.00
54 Marcus Clarke, Canberra	ACT	21.3[5]	5,157	95.8	3.2	7.50
144 Stirling Street, Perth	WA	54.5[4]	11,042	100.0	2.0	7.50
42-46 Colin Street, West Perth	WA	35.3[4]	8,467	100.0	3.8	7.25
1 Richmond Road, Keswick	SA	36.1[5]	8,087	100.0	4.0	7.50
131-139 Grenfell Street, Adelaide	SA	17.0[4]	4,052	100.0	0.4	7.75
Subtotal		1,321.5	208,841	98.6	3.8	6.22
Investment properties held for sale						
483 Kingsford Smith Drive, Hamilton	QLD	78.5[4]	9,239	94.0	5.9	6.25
Total		**1,400.0**	**218,080**	**98.4**	**3.9**	**6.22**

Note:
1 Square metre (sqm); net lettable area (NLA).
2 Occupancy based on NLA as at 30 June 2019.
3 WALE by gross income as at 30 June 2019.
4 Independent valuation undertaken in June 2019.
5 Based on Directors' valuation as at 30 June 2019.
Source: CMA FY19 Property Compendium and 2019 Financial Report.

63 CMA generates over 70% of its portfolio income from multinational, ASX listed and government tenants. The top tenants of CMA by gross income are as follows:

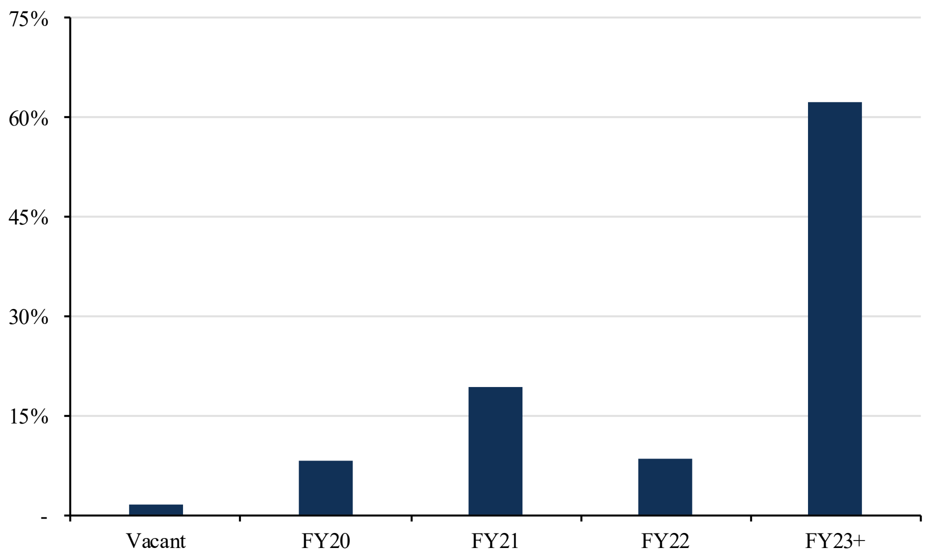
CMA – top 10 tenants

Tenant	Industry	% of gross income
Infosys Technologies	Information technology	6.0
Laing O'Rourke	Engineering	5.1
Insurance Australia	Financial Services	4.1
Target Australia	Retail	4.1
Foxtel	Media & entertainment	4.0
Ericsson Australia	Telecommunications	3.9
QLD Government	Government	3.7
Ergon Energy Corporation	Energy	2.9
Hatch	Engineering	2.8
WA Government	Government	2.7
		39.3

Source: CMA FY19 Property Compendium.

64 The lease expiry of the tenants occupying CMA's properties is as follows:

CMA – lease expiry profile[(1)]



Note:
1 Based on gross income.
Source: CMA FY19 Property Compendium.

65 CMA completed 31 lease transactions in FY19 for a total NLA of 21,758 sqm which represented approximately 10% of its property portfolio. This included 18 new leases (5,463 sqm) and 13 lease renewals (16,295 sqm).

Statement of financial performance

66 The financial performance of CMA for the two years ended 30 June 2019 is summarised below:

CMA – financial performance[1]	FY18 Audited $m	FY19 Audited $m
Gross property income	75.5	107.9
Interest income	0.2	0.3
Total revenue	**75.7**	**108.2**
Direct property expenses	(17.0)	(23.5)
Responsible entity fees	(4.2)	(6.9)
Finance costs	(9.0)	(15.4)
Management and other administrative expenses	(1.3)	(1.1)
Total expenses	**(31.5)**	**(47.0)**
Funds from operations (FFO)[2]	**44.1**	**61.2**
Gain on fair value of investment properties	42.0	7.1
Loss / (gain) on fair value of derivative financial instruments	(0.6)	(6.8)
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	0.1	(0.9)
Business combination transaction costs	(0.4)	(0.4)
One-off refinancing break costs	-	(6.7)
Statutory net profit	**85.1**	**53.6**
Weighted average number of units on issue (000s)	*227.6*	*237.7*
FFO per unit (cents)	*19.4*	*18.7*
Distributions to unitholders ($m)	*42.7*	*57.6*
Distribution per unit (cents)	*18.1*	*17.6*
Payout ratio[3] (%)	*96.8*	*94.2*
Number of properties at year end	*19*	*20*
Book value of property portfolio ($m)	*930*	*1,400*

Note:
1 Rounding differences may exist.
2 FFO is the Fund's underlying and recurring earnings from its operations. This is calculated as the statutory net profit adjusted for certain non-cash and other items.
3 Calculated as distributions paid (in absolute dollars) divided by FFO.
Source: CMA FY18 & FY19 Financial Reports and result presentations.

67 Over the period above, CMA has significantly grown its property portfolio from $0.6 billion as at 30 June 2017 to $1.4 billion as at 30 June 2019. As a result, gross property income increased significantly over the above period. Variable property related expenses (direct property expenses, responsible entity fees and finance costs) also increased significantly over the above period due to the growth of the property portfolio, but remained relatively consistent as a percentage of gross property income.

68 CMA's targeted payout ratio is 85% to 100% of FFO. The distributions for FY17, FY18 and FY19 were consistent with this policy and the FY20 base case distribution guidance of 17.8 cents per unit (cpu) reflects a payout ratio of 93.7%[11].

Statement of financial position

69 The financial position of CMA as at 31 December 2018 and 30 June 2019 is set out below:

CMA – statement of financial position[(1)]	31 Dec 18 Reviewed $000	30 Jun 19 Audited $000
Cash and cash equivalents	19.2	17.5
Trade and other receivables	3.9	4.1
Investment properties held for sale	24.2	78.5
Investment properties	1,376.4	1,321.5
Goodwill	6.4	6.4
Other assets	2.8	1.5
Total assets	1,432.9	1,429.4
Trade and other payables	14.8	14.9
Distributions payable	15.5	15.5
Interest bearing liabilities	512.9	497.2
Derivative financial instruments	3.0	7.2
Total liabilities	546.2	534.9
Net assets	886.7	894.6
Units on issue (000s)	*356.3*	*356.3*
NTA per unit ($)	*2.47*	*2.49*
Gearing (net debt[(2)] / total assets less cash and goodwill)	*35.3*	*34.2*
Loan to value (LVR) ratio (drawn debt[(2)] / total investment properties)	*36.8*	*35.6*

Note:
1 Rounding differences may exist.
2 Before allowance for capitalised borrowing costs of $2.43 million and $1.28 million as at 31 December 2018 and 30 June 2019 respectively.
Source: CMA HY19 Interim Report and FY19 Final Report.

70 In relation to the financial position, we note the following:

(a) **investment properties held for sale –** the following properties were classified as held for sale as at 31 December 2018 and 30 June 2019:

(i) 31 December 2018 – on 31 December 2018, the RE entered into an unconditional contract for the sale of 13 Ferndell St, Granville, NSW for $24.2 million (excluding estimated selling costs expected to be incurred upon disposal). Settlement of the property occurred on 31 January 2019

11 Based on FY20 guidance of 19.0 cents FFO per unit.

(ii) 30 June 2019 – on 24 June 2019, the RE approved a process for the sale of Hamilton. The property is now being actively marketed for sale and was carried at the independent valuation undertaken at June 2019

(b) **investment properties** – as at 30 June 2019, CMA's investment properties were carried based on a combination of independent valuations undertaken in June 2019 and Directors' valuation[12] as follows (further information on each property can be found at paragraph 62):

CMA – investment properties as at 30 June 2019

Valuation type	Properties	Carrying value $m	% total value
Independent valuation	10	625.5	47.3
Directors' valuation(1)	9	696.0	52.7
Total	19	1,321.5	100.0

Note:
1 The last independent valuation undertaken on these properties occurred between June 2018 and December 2018.

(c) **goodwill** – represents goodwill arising from the merger with CUA on 29 June 2017

(d) **distributions payable** – as at 30 June 2019, distributions payable comprised accrued distributions for the fourth quarter of FY19 that had been declared but not yet paid out in cash to unitholders. The distribution of 4.358 cpu was paid on 9 August 2019

(e) **interest bearing liabilities** – as at 30 June 2019, CMA had debt facilities totalling $555.0 million[13] which were drawn to $498.5 million, had an average all-in cost of 3.2% per annum[14] and had a weighted average expiry of 4.0 years. The borrowings as disclosed in the 30 June 2019 statement of financial position are net of $1.3 million in capitalised borrowing costs. The debt facilities are secured by first mortgages over CMA's investment properties and a first ranking fixed and floating charge over all assets of the Fund. As at 30 June 2019, CMA complied with its various debt covenants:

(i) LVR of 35.5% compared to covenant of 50.0%

(ii) interest coverage ratio of 4.1 times compared to covenant of 2.0 times

(f) **derivative financial instruments** – CMA uses derivative financial instruments to hedge interest rate risk with respect to its borrowings. As at 30 June 2019, $290 million (or 58.2%) of the drawn borrowings was hedged, with a weighted average hedge maturity of 2.9 years.

12 CMA's policy is for investment properties to be independently valued at least once every 24 months. An internal valuation (which is subject to approval by the Board) is undertaken at every other reporting date when an independent valuation does not occur. Internal valuations include a review of the key valuation metrics including market capitalisation rate, discount rate and market rental and are subject to peer review where appropriate. The internal valuations are reviewed by CMA's auditors and approved by the Audit Committee.

13 The debt facilities are with four lenders (all major Australian banks).

14 Floating rate, plus all-in margins (base and line fees).

Capital structure and ownership

71 As at 17 September 2019, CMA had 356.3 million securities on issue.

72 As at 17 September 2019[15], substantial unitholders in CMA (being unitholders in CMA that have a relevant interest of 5% or more) were as follows:

CMA – substantial unitholders as at 17 September 2019(1)

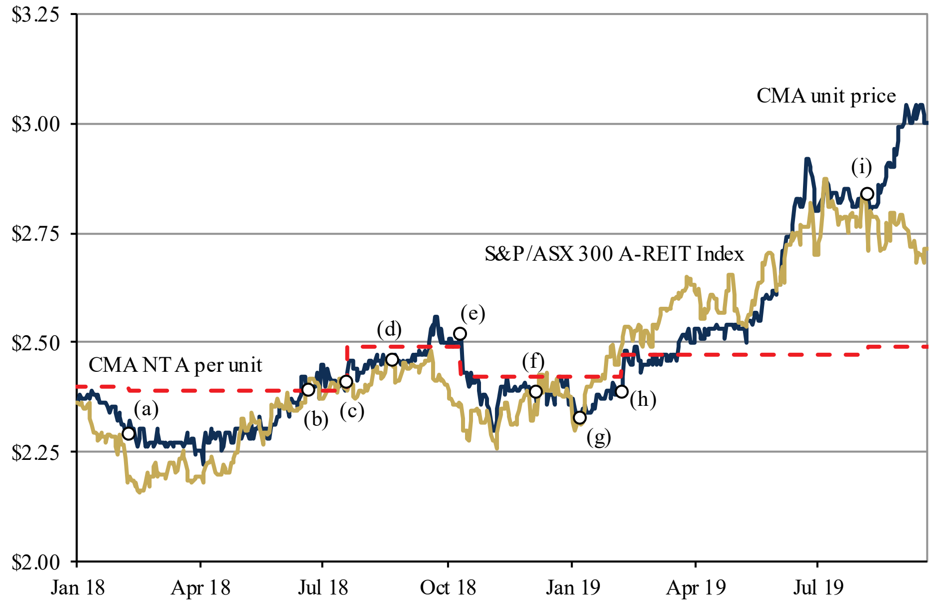
Unitholder	Units held Million	Units held % of total
Centuria (2)	88.8	24.9
Lederer Group	18.3	5.1
Total	**107.1**	**30.1**

Note:
1 Rounding differences exist.
2 The interest is held by various entities that form part of, or are associated with Centuria.
Source: CMA Annual Financial Report 2019.

Unit price performance

73 The following chart illustrates the movement in the unit price of CMA from 1 July 2018 to 17 September 2019[16]:

CMA – unit price history(1)
1 July 2018 to 17 September 2019



Note:
1 Based on closing prices. The S&P/ASX 300 A-REIT Index has been rebased to CMA's last traded price on 1 July 2018 ($2.36).
Source: Bloomberg and CMA ASX announcements.

15 Being the last trading day prior to the announcement of the Proposal.
16 Being the last trading day prior to the announcement of the Proposal.

74 From January 2018 through to February 2019, CMA generally traded at a discount to its reported underlying NTA per unit. Since then, CMA has (consistent with many other A-REITs[17]) traded at a premium to underlying NTA per unit. Over the observed period, CMA has marginally outperformed the S&P/ASX 300 A-REIT Index. Key market sensitive announcements during the period are as follows:

(a) **8 February 2018** – released 1H18 results. NTA per unit of $2.39

(b) **20 June 2018** – exchanged unconditional contracts for the sale of 3 Carlingford Road, Epping, NSW for $36.0 million, reflecting a 27.2% premium to the last independent valuation

(c) **19 July 2018** – CMA provided an operating update for FY18. NTA per unit increased to $2.49 per unit following revaluations of the funds property portfolio (which included four independent valuations)

(d) **21 August 2018** – released FY18 results. NTA per unit of $2.49

(e) **10 October 2018** – announced an acquisition of interests in four metropolitan office assets for $500.9 million and an underwritten equity raising of approximately $276 million at an issue price of $2.43 per unit. Pro-forma NTA post acquisitions and equity raising was $2.42 per unit

(f) **4 December 2018** – exchanged contracts for the sale of 149 Kerry Road, Archerfield, QLD for $30.55 million, reflecting an 8.7% premium to the asset's latest book value

(g) **7 January 2019** – announced it had exchanged contracts for the sale of 13 Ferndell Street, Granville, NSW for $24.2 million, representing a 17.0% premium to the property's book value. The divestment of CMA's last remaining industrial asset finalised the execution of CMA's strategy to reposition to Australia's largest pure play office REIT

(h) **6 February 2019** – released 1H19 results. NTA per unit of $2.47

(i) **6 August 2019** – released FY19 results. NTA per unit of $2.49.

Liquidity in CMA units

75 The liquidity in CMA units based on trading on the ASX over the 12 month period prior to 17 September 2019[18] is set out below:

CMA – liquidity in units						
			No of units traded	WANOS[(1)] outstanding	Implied level of liquidity	
					Period[(2)]	Annual[(3)]
Period	Start date	End date	000	000	%	%
1 month	18 Aug 19	17 Sep 19	17,872	356,291	5.0	60.2
3 months	18 Jun 19	17 Sep 19	53,969	356,291	15.1	60.6
6 months	18 Mar 19	17 Sep 19	96,574	356,291	27.1	54.2
1 year	18 Sep 18	17 Sep 19	185,026	343,494	53.9	53.9

17 REITs listed on the ASX (A-REIT).

18 Being the last trading day prior to the announcement of the Proposal.

Note:
1 Weighted average number of securities (WANOS) outstanding during relevant period.
2 Number of units traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period.
Source: Bloomberg and LEA analysis.

76 In each of the above periods disclosed, total unit turnover (on an annualised basis) has exceeded 50% (and has increased in the more recent periods) of the issued units in CMA indicating a high level of market liquidity (particularly given the large parcel of units that are held by entities associated with Centuria).

IV Profile of 8 Central Avenue

Overview

77 8 Central Avenue is an 11-level A-grade office building completed in 2010 and located within the commercial precinct known as "South Eveleigh", an inner southern locale approximately four kilometres south of the Sydney CBD and within close proximity to Sydney University, Redfern train station and the Newtown Entertainment Precinct.

78 The asset comprises 10 upper office levels including multiple television broadcasting / recording studios and set storage, a ground level lobby café and retail suite and basement and mezzanine parking levels for 700 cars. It is currently fully tenanted and has a WALE of 8.5 years.

79 8 Central Avenue is presently owned 50:50 (as tenants-in-common) by two closed-end unlisted property funds, the Central Ave Fund, which is in the process of being wound-up, and the Central Ave Fund No. 2. CPFL is the RE of both the Central Ave Fund and Central Ave Fund No. 2.

80 A summary of the key details of 8 Central Avenue are set out below:

8 Central Avenue – property details	
Location	8 Central Avenue, Eveleigh, NSW 2015
Sector	Commercial
Grade	Grade-A office
Market value (100%)	$382.0 million
Capitalisation rate (%)	5.4
Gross rental income (passing)	$21.8 million
Outgoings	$3.1 million
Occupancy (%)	100.0
WALE (years)	8.5
NLA (sqm)	36,570
Site area (sqm)	17,269
NABERs rating	5 star NABERs Energy

Note:
1 Occupancy by area as at 1 September 2019.
2 WALE by gross income as at 30 September 2019.
Source: CMA Acquisitions and Equity Raising Presentation of 18 September 2018 and Cushman & Wakefield.

Location

81 8 Central Avenue is located in the "South Eveleigh" precinct and approximately four kilometres south of the Sydney CBD:

8 Central Avenue – location

Source: CMA Acquisitions and Equity Raising Presentation of 18 September 2019.

82 The South Eveleigh office market (previously known as the Australian Technology Park) is an emerging south Sydney commercial presence positioned between the major south Sydney office markets of Mascot and Alexandria, and the city fringe office markets of Pyrmont and Surry Hills. The precinct comprises a significant campus type development with a combination of heritage renewal and modern improvements accommodating 10 buildings including a convention and exhibition centre, with an eleventh building currently under construction.

Lease profile

83 The property is currently leased to eight tenants (excluding various car parking tenants) with a WALE of 8.5 years, with the majority (98.1%) of leases (by gross income) expiring in FY23+. The leases are predominantly structured on a net basis, whereby each tenant is responsible for a proportionate share of outgoings and are under fixed rent review structures.

84 A summary of the major tenants of 8 Central Avenue is set out below:

8 Central Avenue – major tenants

	NLA (sqm)	Gross income $m	% of income	Rent review	Lease expiry
Seven Network	15,086	4.3	38	3.5%	Dec 29
State Government (NSW)	7,710	2.9	26	3.0%	Nov 25
NEP Australia	6,870	1.5	13	CPI + 0.5%	Dec 34
Cancer Institute (NSW)	3,006	1.2	11	3.0%	Oct 22
Total	32,672	9.9	88		

Source: CMA Acquisitions and Equity Raising Presentation of 18 September 2019.

Current ownership and Co-Owners' Agreement

85 8 Central Avenue is presently owned 50:50 (as tenants-in-common) by two closed-end unlisted property funds, the Central Ave Fund and the Central Ave Fund No. 2 (noting that CPFL is the RE of both funds):

(a) **Central Ave Fund** – Central Ave Fund is a closed-ended, fixed term unlisted property fund whose single asset was a 50% interest in 8 Central Avenue. The fixed term of the fund (which ended 11 December 2018) was not extended by investors and the fund is now currently being wound-up on an orderly realisation basis

(b) **Central Ave Fund No. 2** – Central Ave Fund No. 2 is a closed-ended, fixed term unlisted property fund whose single asset is a 50% interest in 8 Central Avenue. The initial 3.5 year term of the fund expired on 31 December 2018 and was renewed for a further two year period until 1 January 2021 by an ordinary resolution of investors. The term of the fund may only be further extended for up to two years at a time by unanimous resolution of its investors, or where a unanimous resolution is not passed but all investors who vote against the resolution are given an opportunity to have their units sold, or redeemed at the prevailing value of NTA less sale costs.

86 The Property is currently subject to a Co-Owners' Agreement dated 29 June 2015 (Co-Owners' Agreement). If the Proposal is approved and implemented, CMA will become a party to the Co-Owners' Agreement (i.e. replace the Central Ave Fund). The key terms of the Co-Owners' Agreement are as follows:

(a) the Co-Owners' Agreement will terminate on the earlier of:

(i) the parties entering into a new deed

(ii) the date that any co-owner becomes the sole owner of the Property

(iii) any other date agreed in writing

(b) under the Co-Owners' Agreement:

(i) neither co-owner may bind the other to any agreement relating to 8 Central Avenue and all documents relating to 8 Central Avenue must be signed by both co-owners

(ii) a co-owner may not grant a mortgage of its respective interest in 8 Central Avenue without the written consent of the other co-owner, which consent will not be unreasonably withheld or delayed if:

– the mortgage is over the whole of the owner's respective interest

– the mortgagee agrees that it and any receiver or manager it appoints will not enjoy rights greater than those of the co-owner seeking to grant the mortgages

– the mortgagee executes all documents in favour of the relevant parties whereby it agrees to be bound by the terms of the co-ownership agreement

– the co-owner entering into the mortgage must reimburse the other owners costs arising from the transaction

(iii) where a co-owner wishes to transfer, sell, dispose of, lease, alienate or otherwise deal with its legal or beneficial interest in the Property, it must comply with the pre-emptive rights procedure set out in the Co-Owners' Agreement, under which its interest will first be offered to the other co-owner. If the other co-owner does not accept the proposed interest, the transferring co-owner can offer its interest to a third party. The pre-emptive rights provisions will not apply if the other party to the proposed transaction is a member of the co-owner's own group (that is, a co-owner, a related corporation of the co-owner or a trustee, custodian or RE of any managed investment scheme property trust). Any incoming transferee (being a member of the co-owner's own group or otherwise) is required to sign an accession deed to the Co-Owners' Agreement

(iv) in the event of a default under the Co-Owners' Agreement which subsists for a period of three months, the other co-owner is entitled to acquire the defaulting co-owner's interest in accordance with the procedure prescribed in the Co-Owners' Agreement

(c) under the Co-Owners' Agreement:

(i) the co-owners will be entitled to receive all income earned by the Property in the proportions in which they hold their interests

(ii) unless the co-owners otherwise agree, the net cash flow from operations for each month must be distributed to the co-owners in the proportions in which they hold their interests as soon as reasonably possible after the end of each month. Any funds not distributed must be held in interest bearing accounts for the benefit of the co-owners

(d) the Co-Owners' Agreement provides for the establishment of a Co-Owners Committee, comprised of two members to represent each co-owner. The matters to be dealt with by the Co-Owners Committee include formulation of a business plan covering reviews of income and expenditure, formulation of strategies and review and agreement of a five-year preventative maintenance and capital expenditure program

(e) the Co-Owners' Agreement requires the co-owners to enter into a property management agreement. A property management agreement was executed on 1 May 2019 pursuant to which Centuria Property Services Pty Ltd was appointed as property manager

(f) each co-owner indemnifies the other co-owner against all actions, suits, proceedings and claims as a result of a default by the indemnifying co-owner under the Co-Owners' Agreement or certain customary representations and warranties given by the co-owner in respect of the co-ownership of 8 Central Avenue. The Co-Owners' Agreement contains limitation of liability clauses in respect of the responsible entities and custodians.

V Assessed value of a 50% interest in 8 Central Avenue

Overview

87 CPFL, in its capacity as the RE of CMA, engaged independent property valuers Cushman & Wakefield[19] to estimate the current market value of a 50% interest in the Property as at 1 September 2019 for the purposes of both the Proposal and first mortgage security purposes. An extract of the Cushman & Wakefield report dated 10 September 2019 (Cushman & Wakefield Report) is included as Annexure C to this report.

88 Whilst we did not directly engage, or control the scope of the valuation undertaken by Cushman & Wakefield, we were satisfied as to their independence, capability and terms of engagement and accordingly, we consider the terms of Cushman & Wakefield's engagement to be consistent with the requirements of ASIC Regulatory Guide 112 – *Independence of experts* in relation to the independence of experts and the use of specialists. On this basis, we have had regard to the independent property valuation in our assessment of the fair market value of the Property. We have obtained the written consent of Cushman & Wakefield to refer to their independent property valuation report in the IER. Cushman & Wakefield are responsible for the Cushman & Wakefield Report, not LEA.

89 For the purpose of our opinion, fair market value is defined as the amount at which the Property would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have not considered special value in this assessment. We consider the market value approach adopted by Cushman & Wakefield (which assumed inter-alia an orderly market for the Property) to be consistent with our definition of fair market value.

Independent valuation of the Property

90 The market value of the Property, as determined by Cushman & Wakefield as at 1 September 2019, is set out below:

Market value derived by Cushman & Wakefield as at 1 September 2019	
	$m
Valuation of the Property (using the capitalisation approach)	377 – 396
Valuation of the Property (using the discounted cash flow approach)	382
Adopted valuation of the Property	382
Value of 50% interest in the Property	**191**

Source: Cushman & Wakefield Report.

91 Cushman & Wakefield considered two valuation approaches, the capitalisation approach and the discounted cash flow (DCF) approach, to arrive at their opinion of the market value for the Property[20].

19 A global commercial real estate services company that is headquartered in Chicago and listed on the New York Stock Exchange.

20 Cushman & Wakefield also considered the direct comparison approach, which identifies comparable sales on a rate per sqm of lettable area basis. However, due to the inherent limitations of this approach and the somewhat unique

92 The key assumptions utilised in the Cushman & Wakefield valuation are summarised below:

(a) **Capitalisation approach** – under this approach, the assessed net face market income was capitalised at an appropriate market yield to establish the Property's market value on a fully leased basis. Appropriate capital adjustments were then made to reflect the specific cash flow profile and general characteristics of the Property. Cushman & Wakefield assumed fully leased net market income of $21.7 million[21] (compared to the net passing income of $18.7 million) and a capitalisation rate of 5.25% to 5.5%, which Cushman & Wakefield considered to reflect the nature, location and tenancy profile of the Property.

Cushman & Wakefield made appropriate capital adjustments to allow for inter alia, the net present value of the shortfall in rental income relative to the adopted net market income[22], forecast capital expenditure (including the estimated $6.5 million required for the facade rectification works), anticipated leasing costs, downtime and rental incentives and the present value of deferred precinct fees until July 2025

(b) **DCF approach** – under this approach, the Property's estimated future cash flows and terminal value were discounted back to the valuation date at a discount rate of 6.75% per annum, which Cushman & Wakefield considered to be consistent with market expectations.

The estimated cash flows (for the 10 year forecast period) were based upon contracted rental income under the existing tenancies (on a tenant by tenant basis) taking into account actual rental review dates and rental incentives as appropriate. Estimated cash flows from lease renewals / new tenancies at the expiration of existing leases have been estimated by reference to current market rents and expected rental growth rates and include an allowance for estimated vacancy / downtime, incentives, agents' fees and leasing costs. Cushman & Wakefield's estimated cash flows also allow for capital expenditure requirements, including the estimated $6.5 million required for the facade rectification works

The terminal value is based upon the estimated value of the Property (at the beginning of the 11th year) using the capitalisation approach set out above and an adopted terminal yield of 5.75% (noting that Cushman & Wakefield make various adjustments to the capitalised terminal value to reflect the expiry of key contracts in that year. The inclusion of these adjustments in the yield increases the terminal yield to some 6.10%).

93 Cushman & Wakefield's assessment of the value of a 50% interest in the Property reflects a pro-rata apportionment of its assessed value of a 100% interest in the Property.

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characteristics of the Property, Cushman & Wakefield considered there to be limited merit in assessing value on this basis.

21 Based on an assumed fully leased gross market income of $25.0 million per annum, annual outgoings of approximately $3.1 million, and precinct management fees (partially deferred) of $0.3 million per annum.

22 Given the strong market growth in the South Eveleigh precinct, a number of existing tenancies were considered by Cushman & Wakefield to be less than current market levels with no ability to revert to market until lease expiry. It was considered that any prudent purchaser of the Property would factor this into the purchase price.

Analysis of the independent valuation of the Property

94 We have undertaken an analysis of the independent valuation of the Property undertaken by Cushman & Wakefield. Based on our analysis we have concluded that:

(a) Cushman & Wakefield is independent with respect to CMA, the Central Ave Fund and CPFL (as RE for both CMA and the Central Ave Fund)

(b) there were no restrictions on the scope provided to Cushman & Wakefield

(c) the Cushman & Wakefield Report was prepared by professionals who have sufficient qualifications and competence to provide an informed opinion of the market value of assets of this nature

(d) the valuation methods used in the property valuation are appropriate and appear to have been correctly applied to estimate the market value of the Property

(e) the assumptions and valuation metrics used do not appear unreasonable or inappropriate for the purpose of estimating the market value of the Property

(f) nothing has come to our attention that may cause us to make an adjustment for valuation movements since 1 September 2019.

95 Whilst Cushman & Wakefield have provided a single point estimate of the value of a 50% interest in the Property, value is generally considered to fall within a range and Cushman & Wakefield's assessment of value is sensitive to the capitalisation rate and discount rate / terminal yield adopted in the respective valuation approaches. Accordingly, for the purposes of this report, we have made both positive and negative adjustments of 5.0% to the single point estimate[23] in order to reflect this potential range of values. Based upon this, we have adopted a valuation range for the Property of $181.0 million to $201.0 million, the mid-point of which ($191.0 million), corresponds with the value assigned to the 50% interest by Cushman & Wakefield.

[23] We have assessed the quantum of this adjustment having regard to the sensitivity analysis undertaken in the Cushman & Wakefield Report.

VI Evaluation of the Proposal

Summary of opinion

96 In our opinion, the Proposal is fair and reasonable to the Non-Associated CMA Unitholders, in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Assessment of fairness

97 As set out in Section V, based upon the independent property valuation prepared by Cushman & Wakefield, we have assessed the value of a 50% interest in 8 Central Avenue at between $181.0 million to $201.0 million.

98 If the Proposal is approved and implemented, CMA will acquire the 50% interest in 8 Central Avenue for cash consideration of $191.0 million.

99 Pursuant to RG 111, the Proposal is "fair" if the value of what is acquired by the entity from the related party is greater than or equal to the value of the consideration offered.

100 As our assessed value of a 50% interest in 8 Central Avenue is consistent with the value of the consideration offered, in our opinion, the Proposal is fair to the Non-Associated CMA Unitholders based on the guidelines set out in RG 111.

Assessment of reasonableness

101 Pursuant to RG 111, the Proposal is reasonable if it is fair. Consequently, in our opinion, the Proposal is also "reasonable" to the Non-Associated CMA Unitholders.

102 We have also considered a range of other factors that we consider relevant in assessing whether the Proposal is reasonable to the Non-Associated CMA Unitholders, including:

(a) the impact of the Proposal on the ownership and control of CMA

(b) the impact of the Proposal on the financial performance and position of CMA

(c) the compatibility of the Property with CMA's investment mandate and current portfolio

(d) the implications for CMA if the Proposal is not implemented

(e) other qualitative and strategic issues associated with the Proposal and the extent to which, on balance, they may advantage or disadvantage Non-Associated CMA Unitholders.

103 These issues are discussed in detail below.

Impact upon the ownership and control of CMA

104 If the Proposal is approved and implemented, there will be an impact on the voting power and ownership of CMA, which is shown below:

CMA – impact of Equity Raising and Conditional Placement on unitholdings[1]

Unitholder	Existing position[2]	Equity Raising: Institutional Placement	Equity Raising: Entitlement Offer	Pro-forma One	Conditional Placement	Pro-forma Two
Unitholding (million)						
Centuria[3]	88.8	-	2.6	91.5	10.5	101.9
Others[4]	267.5	49.2	33.0	349.6	-	349.6
Total	356.3	49.2	35.6	441.1	10.5	451.6
Unitholding (percentage)						
Centuria[3]	24.9	(3.0)	(1.2)	20.7	1.9	22.6
Others[4]	75.1	3.0	1.2	79.3	(1.9)	77.4
Total	100.0	-	-	100.0	-	100.0

Note:
1 Rounding differences may exist.
2 Prior to the announcement of the Proposal (i.e. as at 17 September 2019).
3 The interest is held by various entities that form part of, or are associated with Centuria.
4 Other includes units held by the Lederer Group, the only other substantial shareholder which held 18.3 million units (or a 5.1% interest) prior to the announcement of the Proposal.

105 Centuria is currently the single largest unitholder in CMA and we understand the composition of the register (from a substantial unitholder perspective) is unlikely to be materially affected by the Equity Raising, or Conditional Placement[24].

106 It should be noted however, that Centuria's interest will be diluted as it will decrease from 24.9% to 20.7% (as a result of the Equity Raising) before increasing to 22.6% in the event the Proposal and Conditional Placement are approved and implemented.

107 While Centuria is the only entity / person participating in the Conditional Placement, it should be noted that:

(a) the Conditional Placement is occurring at the same issue price as the Equity Raising

(b) CFPL chose to reduce the amount of capital raised pursuant to the Equity Raising and include a Conditional Placement component in order to minimise the impact on FY20 FFO in the event the acquisition of 8 Central Avenue does not proceed (as noted below the Equity Raising and acquisition of William Square is marginally dilutive to FFO and would be more so in the event CMA raised more capital)

(c) due to the timeframe between commitment, transaction approval and completion, we understand that there was a limited investor universe that was willing to subscribe for the Conditional Placement at the same issue price as the Equity Raising

24 We understand that the Equity Raising is unlikely to result in the introduction of any new substantial unitholder. It is not presently known to what extent the Lederer Group will participate in the Equity Raising.

(d) Centuria was prepared to commit to the Conditional Placement (in lieu of making a comparable investment through full participation in the Entitlement Offer component of the Equity Raising) and do so prior to the announcement of the transaction which provided funding certainty for the acquisition of 8 Central Avenue.

108 We also note that that pursuant to the Equity Raising and Conditional Placement, the issued units in CMA will increase to 451.6 million. Based on the issue price of $2.86 per CMA unit, the implied market capitalisation of CMA, subsequent to the Equity Raising and Conditional Placement will be around $1.25 billion. The Equity Raising and Conditional Placement enhances the scale and liquidity of CMA, whilst also improving the potential for the inclusion of CMA in the S&P/ASX 200 Index.

Impact on the financial performance and position of CMA

109 We summarise below the estimated pro-forma impact of the Proposal on CMA's financial performance and position (as per the analysis set out in the Notice of Meeting and Explanatory Memorandum and the CMA Acquisitions and Equity Raising Presentation of 18 September 2019):

CMA – pro-forma financial performance and position(1)(2)

	Current $m	Adj. 1(3) $m	Pro-forma One $m	Adj.2(4) $m	Pro-forma Two $m
Financial performance – FY20F					
FFO per unit (cents)	19.0		18.7		19.0
Distribution per unit (cents)	*17.8*		*17.8*		*17.8*
Payout ratio (%)	*93.7*		*94.7*		*93.7*
Financial position – 30 Jun 19					
Cash	17.5	-	17.5	-	17.5
Investment properties	1,321.5	189.5	1,511.0	191.0	1,702.0
Investment properties held for sale	78.5	-	78.5	-	78.5
Goodwill	6.4	-	6.4	-	6.4
Other assets	5.5	-	5.5	-	5.5
Total assets	**1,429.4**	**189.5**	**1,618.9**	**191.0**	**1,809.9**
Interest bearing liabilities	497.2	(29.4)	467.8	171.5	639.3
Derivative liabilities	7.2	(5.4)	1.8	-	1.8
Other liabilities	30.5	-	30.5	-	30.5
Total liabilities	534.9	(34.8)	500.1	171.5	671.6
Net assets	**894.6**	**224.3**	**1,118.8**	**19.5**	**1,138.3**
Units on issue (m)	*356.3*	*84.8*	*441.1*	*10.5*	*451.6*
NTA per unit ($)	*2.49*		*2.52*		*2.51*
Gearing(5)	*34.2*		*28.3*		*34.9*

Note:
1 Rounding differences may exist.
2 Refer to Section 2.5 of the Notice of Meeting and Explanatory Memorandum and the CMA Acquisitions and the CMA Acquisitions and Equity Raising Presentation (of 18 September 2019) for further details of the impact of the transaction on the pro-forma financial performance and position of CMA.
3 Includes adjustments to account for the acquisition of William Square and the Equity Raising.
4 Includes adjustments to account for the subsequent acquisition of 8 Central Avenue and Conditional Placement.
5 Gearing is calculated as total drawn debt (net of cash) divided by total tangible assets (net of cash).

110 In respect of the above, we note that:

(a) the Proposal is expected to be marginally accretive on a FFO per unit basis, as a result of it being a mostly leveraged acquisition

(b) while FY20F distributions are not expected to be affected by the Proposal, the Fund's payout ratio will marginally reduce

(c) NTA per unit marginally decreases under the Proposal (by 0.4%) due to transaction costs associated with the acquisition of 8 Central Avenue

(d) as CMA will largely fund the acquisition of 8 Central Avenue with debt, gearing under the Proposal will increase from 28.3% to 34.9% which is at the upper end of the Fund's target gearing range of 25.0% to 35.0%. However, we note that subsequent to the planned divestment of Hamilton (which is currently held for sale) gearing is forecast to reduce to approximately 31.9%.

Compatibility of the Property with CMA's investment mandate and current portfolio

111 CMA's investment mandate is to build a portfolio of quality Australian office assets located in key metropolitan areas diversified by geography, tenants and lease expiry which generate sustainable and quality income streams and has recently reweighted its portfolio away from smaller suburban properties toward institutional grade office assets.

112 The property at 8 Central Avenue is an A-grade office building located within the "South Eveleigh" precinct, an established and improving city fringe commercial / technology precinct located approximately four kilometres from the Sydney CBD. The property complements CMA's existing property portfolio and assets which targets office properties in city fringe / metropolitan areas[25] and is within close proximity to major infrastructure including Redfern station[26], the Newtown Entertainment Precinct and Sydney University. In addition, the property aligns with the Fund's objective of reweighting away from smaller suburban properties toward institutional grade office assets.

113 We note that the key metrics for 8 Central Avenue are equal to or better than CMA's existing property portfolio and the recently acquired property at William Square and therefore will improve the quality of CMA's portfolio metrics overall:

25 For example, CMA's existing Sydney property assets are located in St Leonards and Chatswood, located some eight kilometres and 12 kilometres from the Sydney CBD respectively.
26 Redfern station is Sydney's sixth busiest train station with approximately 30,000 entries and exits per day.

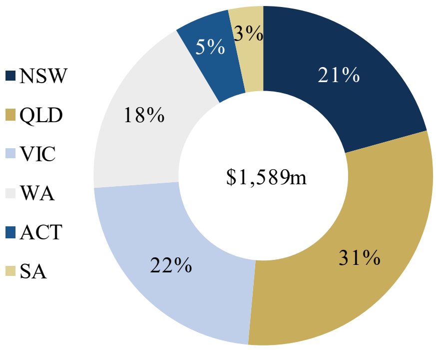
CMA – key property portfolio metrics	Current portfolio	William Square	8 Central Avenue
Average value of property in which CMA has an interest ($m)	84.6	189.5	382.0
Average value of CMA's investment per property	70.0	189.5	191.0
Weighted average capitalisation rate (%)	6.2	6.4	5.4
Average NLA per property (sqm)	10,904	21,765	36,570
Occupancy (%)	98.4	100.0	100.0
WALE (years)(1)	3.9	7.7	8.5
Average building age (years)	15.9	27.0	9.0

Note:
1 WALE by gross income as at 30 September 2019.

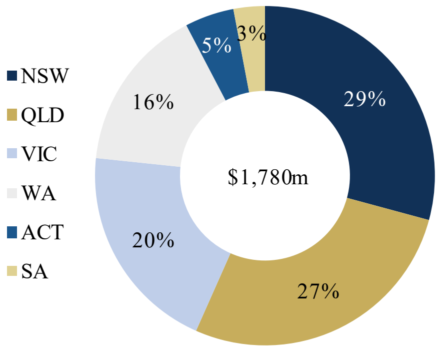
114 A summary of the impact of the Proposal on the geographical diversity of CMA's property portfolio is set out below:

CMA portfolio by geography

Prior to the Proposal(1)



Post the Proposal



Note:
1 Pro-forma for the acquisition of William Square for 189.5 million.

115 As evidenced above, the acquisition of 8 Central Avenue increases CMA's exposure to the NSW market (particularly Sydney) from approximately 21% to 29% and results in NSW representing CMA's largest geographic exposure. This is consistent with the Fund's objective of maintaining a large exposure to the Australian east coast market, which marginally increases from 74% to 77%.

116 The lease expiry profile of 8 Central Avenue is reasonably long-dated (with a WALE of 8.5 years, based on gross income). Accordingly, the acquisition of the Property improves CMA's lease expiry profile for FY20 to FY23+.

117 The acquisition of 8 Central Avenue introduces a number of new tenants to CMA's portfolio, such as Seven Network (a leading Australian media organisation) and increases the proportion of income derived from Government tenants. In addition, the acquisition of the Property marginally decreases CMA's top 10 tenant concentration risk, with income from its top 10 tenants declining from 42.8% to 40.1%.

Implications of the Proposal not proceeding

118 In the event the Proposal does not proceed:

(a) CMA will (assuming the sale of Hamilton proceeds) have a lower than desirable level of gearing[27], which would be expected to have FFO (and possible distribution) implications until such time that an appropriate replacement property can be identified and secured[28]

(b) the other advantages (and to a lesser extent, disadvantages) of the Proposal (as summarised below) will be forgone

(c) CMA unitholders will incur unavoidable transaction costs associated with the Proposal of some $3.5 million (the majority of which will have been incurred prior to the CMA unitholder meeting), without CMA unitholders obtaining any corresponding benefit.

Central Ave Fund No. 2 and the Co-Owners' Agreement

119 If the Proposal is approved and implemented, the Property will be co-owned by CMA and the Central Ave Fund No. 2, with each party holding a 50% interest. Furthermore, CMA and Central Ave Fund No. 2 will become parties to a Co-Owners' Agreement which will govern their co-ownership arrangements. In relation to the Co-Owners' Agreement we note that:

(a) neither co-owner can bind the other to any agreement in relation to 8 Central Avenue (i.e. all documents must be signed by both parties) and each co-owner indemnifies the other against all actions etc, arising as a result of default etc of the indemnifying co-owner

(b) the purpose of the Co-Owners' Agreement is to maximise the value of the Property and the income received from it. To that end, CMA will (unless agreed otherwise) receive its proportion of the net monthly cash flow earned by the Property as soon as reasonably possible after month end. Furthermore, any undistributed funds to which it is entitled will be held on trust

(c) CMA will have an equal say in the operation of the Property as the Central Ave Fund No. 2 (via the Co-Owners Committee). Furthermore, we note that CPFL is the RE of both CMA and the Central Ave Fund No. 2 and that each fund is managed with a common objective as to income distribution and value enhancement

(d) CMA will have certain pre-emptive rights to acquire the Central Ave Fund No. 2's interest in the Property in the event the Central Ave Fund No. 2 decides to sell its remaining interest and vice-versa. In this respect, we note that the Central Ave Fund No. 2 is due to expire on 1 January 2021 and may only be further extended for up to two years at a time by unanimous resolution of its investors, or where a unanimous resolution is not passed but all investors who vote against the resolution are given an opportunity to have their units sold, or redeemed at the prevailing value of NTA less sale costs. Accordingly, CMA may have the opportunity to acquire the remaining 50% interest in the Property in the short-to-medium term (if the current expiry date of the Central Ave Fund No. 2 is not extended beyond 1 January 2021).

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[27] It is likely to fall below the Fund's targeted gearing range of 25.0% to 35.0%.

[28] And/or a capital management initiative is implemented.

Other factors

120 Paragraph 62 of RG 111 lists a number of factors that an expert may consider in assessing the reasonableness of a related party transaction. These issues are addressed below to the extent that they are relevant to CMA and have not already been addressed elsewhere in this report:

(a) **CMA's bargaining position** – CMA's bargaining position relative to the Central Ave Fund is difficult to evaluate. That said, it should be noted that:

(i) CMA is not in any financial distress

(ii) the Fund Manager, on behalf of CMA, retained financial and legal advisors to assist with the negotiations with 8 Central Avenue

(b) **Selective treatment of any unitholder** – if the Proposal is approved and implemented:

(i) Centuria (through CPFL) will be entitled to charge the Central Ave Fund a sale fee in respect of the sale of the Property[29]. However, Centuria will receive this fee irrespective of whether CMA purchases the asset because the Central Ave Fund is being wound-up and the Property, if not sold to CMA, will be sold to another person / entity[30]

(ii) Centuria (through CPFL) will continue to be able to realise RE (and other) fees in relation to the 50% interest in the Property, which may otherwise be forgone in the event the 50% interest was sold to an unrelated third party. That said, CMA has to pay RE (and other) fees to Centuria on any property it acquires

(iii) Centuria (through Centuria Property Services Pty Ltd) will continue to act as property manager for the Property. This role may otherwise be forgone in the event the 50% interest was sold to an unrelated third party. That said, if the role was not filled by Centuria Property Services Pty Ltd, the service would need to be provided by another entity / person. We have also been advised that Centuria Property Services Pty Ltd's fees are charged on arm's length terms.

Conclusion

121 We summarise below the likely advantages and disadvantages of the Proposal from the perspective of the Non-Associated CMA Unitholders:

Advantages

(a) the assessed value of a 50% interest in the Property is consistent with the value of the consideration offered, therefore the Proposal is considered fair to the Non-Associated CMA Unitholders based on the guidelines set out in RG 111

(b) the Proposal is expected to be marginally accretive on a FFO per unit basis

(c) the purchase of 8 Central Avenue aligns with the Fund's investment mandate and improves CMA's overall portfolio metrics (e.g. occupancy, WALE, lease expiry profile, average building age etc)

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29 It should be noted that Centuria has agreed to reduce the sale fee from 1.0% to 0.75% of the sale price.

30 We note that Centuria may incur additional costs (e.g. marketing and agent fees) if it sold the Property via other avenues and that these additional costs would reduce the net sale fee income realisable by Centuria.

(d) CMA may have the opportunity to acquire the remaining 50% interest in the Property in the short-to-medium term (if the current expiry date of the Central Ave Fund No. 2 is not extended beyond 1 January 2021)

Disadvantages

(e) NTA per unit will marginally decrease as a result of the Proposal (to $2.51 per CMA unit on a 30 June 2019 pro-forma basis), primarily due to the transaction costs associated with the acquisition of the Property

(f) CMA's gearing will increase from 28.3% to 34.9% (on a 30 June 2019 pro-forma basis) which is at the upper end of the Fund's target gearing range of 25.0% to 35.0%. However, we note that subsequent to the planned divestment of Hamilton (which is currently held for sale) gearing is forecast to reduce to approximately 31.9%.

122 Based on the above, we consider the advantages of the Proposal to outweigh the disadvantages when considered from the perspective of the Non-Associated CMA Unitholders. Accordingly, in our opinion, the Proposal is fair and reasonable to the Non-Associated CMA Unitholders, in the absence of a superior proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting and Explanatory Memorandum to be sent to CMA unitholders in connection with the Proposal.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $60,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Nathan Toscan and Mr Martin Holt, who are each authorised representatives of LEA. Mr Toscan and Mr Holt have over 15 years and 32 years' experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Directors of CPFL, acting as RE for CMA, to accompany the Notice of Meeting and Explanatory Memorandum to be sent to CMA unitholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposal is fair and reasonable to the Non-Associated CMA Unitholders.

Interests

4 At the date of this report, neither LEA, Mr Toscan nor Mr Holt have any interest in the outcome of the Proposal. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 We note that in 2016, LEA prepared an IER and Collateral Benefits report for 360 Capital Group in respect the acquisition of CUA units (which was then known as the 360 Capital Office Fund) by CMA and Centuria. In 2017, LEA also prepared an IER for CUA in relation to CMA's acquisition of all the units in the fund it did not already own.

6 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

7 As a condition of LEA's agreement to prepare this report, CMA agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of CMA which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

8 LEA consents to the inclusion of this report in the form and context in which it is included in CMA's Notice of Meeting and Explanatory Memorandum.

Appendix C

Summary of Cushman & Wakefield report

CUSHMAN & WAKEFIELD

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cushmanwakefield.com.au

10 September 2019

Mr Nathan Toscan
Lonergan Edwards & Associates Limited
Level 7, 64 Castlereagh Street
SYDNEY NSW 2000

Dear Mr Toscan,

Re: VALUATION – 8 CENTRAL AVENUE, EVELEIGH NSW

We refer to the instructions we received from Ms Anna Kovarik of Centuria Property Funds Limited requesting Cushman & Wakefield Valuations to prepare a market valuation of the abovementioned property on behalf of Lonergan Edwards & Associates (as an independent expert), Centuria Property Funds Limited in its capacity as Responsible Entity of Centuria 8 Central Avenue Fund for the sale of the abovementioned property and Centuria Property Finds Limited in its capacity as Responsible Entity of Centuria Metropolitan REIT for acquisition purposes.

In accordance with the Corporations Law, Market Value means the estimated amount for which an asset should exchange on the date of valuation, taking into account the value of all estates in that property, and based on the price at which the property might reasonably be expected to be sold at the date of the valuation, assuming:

(i) a willing, but not anxious, buyer and seller;

(ii) a reasonable period within which to negotiate the sale having regard to the nature and situation of the property and the state of the market for property of the same kind;

(iii) that the property was reasonably exposed to the market;

(iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued;

(v) that the entity has sufficient resources to allow a reasonable period for the exposure of the property for sale; and

(vi) that the entity has sufficient resources to negotiate an agreement for sale of the property.

In formulating our valuation, we have relied upon property information provided by Centuria Property Funds Limited, including but not limited to the following:

- Tenancy schedule.
- Full copy of leases, licences and executed heads of agreement.
- Budgeted outgoings.
- Capital expenditure budget.
- Survey plan and floor plans.

Appendix C

CUSHMAN & WAKEFIELD

Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information including by analysis against industry standards. Based upon that review, we have no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, our enquiries are necessarily limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or "due diligence" investigation might disclose.

We have disregarded the presence of any mortgage or other financial liens pertaining to the property.

We also note that the valuation is current as at the date of valuation only and we can give no guarantee that the property has not altered since the date of valuation.

For further information, reference should be made to our full Valuation Report dated 1 September 2019. This correspondence is subject to and should be read in conjunction with all qualifications, assumptions, conditions and disclaimers contained within that report.

Valuation Summary

We are of the opinion that the market value of 100% of the property assuming a sale of the unencumbered freehold interest, subject to existing leases and conditional upon executed heads of agreement proceeding to lease execution as at 1 September 2019 is $382,000,000 (GST Exclusive), equating to a 50% interest in the property of $191,000,000 (GST Exclusive).

Brief Description of the Property

The subject is positioned to the northern side of Central Avenue, situated within the South Eveleigh precinct and comprises an 11-level A-grade office building completed in 2010, located within the 'South Eveleigh Precinct'. Accommodates basement and mezzanine parking levels (700 cars), ground level lobby and lobby café and ground level retail suite, together with 10 upper office levels including multiple television broadcast / recording studios and set storage on Level 2. An additional rear hardstand area is provided to the northern elevation of the building.

Tenancy Overview

The subject is currently leased to 8 tenants (excluding various casual car parking tenants) with an income based WALE of 8.5 years. The leases are predominantly structured on a net basis, whereby each tenant is responsible for a proportionate share of outgoings and are under fixed rent review structures.

Use composition by lettable area is 74.2% office use, 24.2% specialised production areas and 1.6% retail. Major office tenants include Pacific Magazines (Levels 5-7 & 25.4% of NLA) and GPNSW (Part Level 8 – Level 11 and 29.3% of NLA). The specialised production and associated office areas are leased to the Seven Network (15.9% of NLA) and NEP Australia (18.8% of NLA).

The expiry profile is reasonably staggered with the only imminent expiries comprising the building café (Glinfam Holdings in Year 1, comprising 1.6% of NLA. GPNSW on Level 9 (8.2% of NLA) expires in Year 4 whilst Elton Consulting Group on part Level 8 (3.5% of N:A) and Verizon Media Australia on part Level 4 (5.6% of NLA) expire in Year 6. The remaining GPNSW lease (21.1% of NLA) expires in Year 7.

Income Profile

We have assessed the net passing income for 100% of the property as at the date of valuation to be $18,697,681 per annum plus GST.

The passing income is based on our review and analysis of the tenancy information provided. We note that should any of the information provided be found erroneous or has varied, we reserve the right to review and if necessary, amend our valuation.

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Market Commentary

The South Eveleigh office market (previously known as the Australian Technology Park) is an emerging South Sydney commercial presence uniquely positioned between the major South Sydney office markets of Mascot & Alexandria, and the City Fringe office markets of Pyrmont & Surry Hills.

The South Eveleigh precinct comprises a significant campus type development with a combination of heritage renewal and modern improvements accommodating 10 buildings including a convention and exhibition centre with a further 11th building under construction. The precinct is located in Eveleigh and bounded by Henderson Road to the south, Alexander Lane to the west, Garden Street and Cornwallis Street to the east and the Main Southern and Western Railway Lines to the north.

The subject is located opposite Mirvac's recently completed eight level campus style building known as Axle (circa 42,500m²) to the south which is fully occupied by CBA. A second campus style office building (circa 56,700m²) is currently being developed by Mirvac (due for completion FY2020), opposite the subject to the east, which will also be fully occupied by CBA. Further development in the precinct comprises the Locomotive Workshop, also owned by Mirvac which will create a further 30,000m² of creative office space. The Locomotive Workshop redevelopment is due for completion in FY2021 and already 66% preleased.

Other major occupiers within the precinct comprises the Department of Defence & the National ICT Australia in the NICTA building, The University of Sydney in the Biomedical building, RMS in the Transport Management Centre, and the Health Administration Corporation with the Ambulance Building.

Rental growth in South Sydney has demonstrated more benign growth over the past 5 years when compared to City Fringe markets such as Pyrmont and Surry Hills. The South Eveleigh precent however is outperforming the wider South Sydney market with recent leasing within the precinct exceeding $800/m² net ($880/m² gross) for existing buildings, and over $785/m² net ($955/m² gross) for the refurbished heritage / creative space within the Locomotive Sheds (currently being refurbished).

Valuation Analysis and Assumptions

The following schedule summarises relevant comparable Sydney CBD and CBD fringe office sales which have been considered in the preparation of our valuation.

Property	Price	Date	WALE	Area	$psm	IY	CMY	IRR
10 Shelley St	$533,000,000	Dec-18	9.1 yrs	27,721	$19,227	4.50%	5.03%	6.59%
12 Shelley St	$270,000,000	Dec-18	9.9 yrs	14,969	$18,037	4.70%	5.22%	6.55%
163 O'Riordan St	$113,283,300	Jun-19	6.9 yrs	13,461	$8,407	5.81%	5.67%	6.60%
21 Harris St	$297,000,000	Jun-19	10.1 yrs	18,753	$15,837	5.34%	5.34%	6.96%
19 Harris St	$143,000,000	Sep-18	5.0 yrs	12,568	$11,378	4.87%	5.42%	6.68%
100 Broadway	$77,140,000	Dec-18	15.0 yrs	5,450	$14,153	5.05%	5.05%	7.15%
72 Christie St	$157,550,000	Sep-18	9.7 yrs	11,259	$13,993	4.95%	5.00%	6.51%

The valuation has been determined via reconciliation between the capitalisation and discounted cash flow (10 year) methods of valuation, with support from direct comparison methodology. Under our capitalisation approach, we derived a fully leased estimated net market rental income based on net face rentals for the office accommodation of the property, together with the television and film production facilities, retail accommodation, parking, telecommunications income, storage and signage

The net market rental was capitalised to arrive at the estimated market value before adjustment for current vacancies, imminent expiries, outstanding incentives and capital expenditure allowances.

We have adopted a capitalisation rate of 5.375% (midpoint between 5.25% and 5.50%) within the capitalisation approach, which has been applied to the 100% of the assessed net market income of the property of $21,658,580 per annum.

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The assessed value of $191,000,000 (GST exclusive) for 50% interest reflects the following investment parameters:

Initial Yield	Core Market Yield	IRR	Rate / m² NLA
4.89%	5.43%	6.74%	$10,446/m²

Qualifications & Disclaimers

Cushman & Wakefield Valuations have prepared this summary and were involved only in the preparation of this summary and the valuation referred to therein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in, any other document, other than in respect of our valuation and this letter.

Cushman & Wakefield Valuations has consented to this summary being included in the form and content in which is included in your report, but Cushman & Wakefield Valuations is not providing financial product advice. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. Cushman & Wakefield Valuations does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our valuation reports.

In the case of advice provided within this report which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market perceptions. It follows that any one of the assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted in this event.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three (3) months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Cushman & Wakefield Valuations has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and for the purpose of this valuation we have assumed that the information is correct.

This valuation does not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, we have assumed that detailed reports with respect to the structure and service installation of the improvements both would not reveal any defects or inadequacies requiring significant capital expenditure.

Cushman & Wakefield Valuations has received a fee of $15,000 (exclusive of GST) in connection with the preparation of our valuation and this summary letter. The fee is not in any way linked to nor has it influenced the opinion of value noted and Cushman & Wakefield Valuations does not have any pecuniary interest in Centuria Property Funds Limited and has provided this report solely in its capacity as an independent professional advisor.

Yours faithfully
Cushman & Wakefield

Daniel Hiscox
Certified Practicing Valuer
Valuer
Reference: 19-649 - Prospectus Letter

Adam Elias
Certified Practicing Valuer
Divisional Director

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Appendix D

Glossary

Term	Meaning
8 Central Avenue / the Property	8 Central Avenue, Eveleigh NSW 2015
AFCA	Australian Financial Complaints Authority
Agreement	Binding contract between CMA and the Central Ave Fund announced on 18 September 2019
A-REIT	REIT listed on the ASX
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CBD	Central business district
Central Ave Fund	Centuria 8 Central Ave Fund
Central Ave Fund No. 2	Centuria 8 Central Ave Fund No. 2
Centuria	Centuria Capital Group
CMA / the Fund	Centuria Metropolitan REIT
Conditional Placement	Conditional placement of 10.5 million units in CMA to Centuria at $2.86 per unit
Co-Owners' Agreement	Co-Owners' Agreement dated 29 June 2015
Corporations Act	*Corporations Act 2001 (Cth)*
CPFL	Centuria Property Funds Limited
cpu	Cents per unit
CUA	Centuria Urban REIT
Cushman & Wakefield Report	Cushman & Wakefield valuation report dated 10 September 2019
DCF	Discounted cash flow
Entitlement Offer	A 1-for-10 accelerated non-renounceable entitlement offer to raise approximately $102 million
Equity Raising	A $243 million fully underwritten equity raising (comprising the Institutional Placement and Entitlement Offer) at an issue price of $2.86 per unit
FFO	Funds from operations
FSG	Financial Services Guide
FY	Financial year
GST	Goods and services tax
Hamilton	483-517 Kingsford Smith Drive, Hamilton, QLD
IER	Independent expert's report
Institutional Placement	An underwritten institutional placement to existing and new institutional investors to raise approximately $141 million
LEA	Lonergan Edwards & Associates Limited
LVR	Loan to value ratio
NLA	Net lettable area
Non-Associated CMA Unitholders	Unitholders in CMA that are not associated with the Central Ave Fund
NTA	Net tangible assets
Proposal	The acquisition by CMA of a 50% freehold interest in 8 Central Avenue from the 8 Central Ave Fund for $191 million in cash
RE	Responsible entity
REIT	Real estate investment trust
RG 111	Regulatory Guide 111 – *Content of expert reports*
sqm	Square metre
WALE	Weighted average lease expiry
WANOS	Weighted average number of shares outstanding
William Square	235 William Street, Northbridge WA 6003

Centuria

All Correspondence to:

By Mail Centuria Investor Services
GPO Box 3993
Sydney NSW 2001 Australia

By Fax: +61 2 9290 9655

Online: www.CenturiaInvestor.com.au

By Phone: (within Australia) 1800 182 257
(outside Australia) +61 2 9290 9689

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9:30am (Sydney time) on Monday 11 November 2019**

TO VOTE ONLINE

BY SMARTPHONE

STEP 1: VISIT https://www.votingonline.com.au/cmagmnov2019

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.
If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a unitholder of the company. Do not write the name of the issuer company or the registered unitholder in the space.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:
Individual: This form is to be signed by the unitholder.
Joint Holding: where the holding is in more than one name, all the unitholders should sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **9:30am (Sydney time) on Monday 11 November 2019.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

Online	https://www.votingonline.com.au/cmagmnov2019
By Fax	+ 61 2 9290 9655
By Mail	Centuria Investor Services GPO Box 3993, Sydney NSW 2001 Australia
In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Centuria Metropolitan REIT
ARSN 124 364 718

☐ **Your Address**
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Unitholders sponsored by a broker should advise their broker of any changes.
Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Centuria Metropolitan REIT** (Fund) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered unitholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Fund to be held at **Level 41, Chifley Tower, 2 Chifley Square, Sydney NSW 2000 on Wednesday 13 November 2019 at 9:30am (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Approval under Listing Rule 10.1 and Chapter 2E of the Corporations Act for the 8 Central Avenue Acquisition	☐	☐	☐
Resolution 2	Approval under Listing Rule 10.11 for the issue of Securities to CNI pursuant to the Conditional Placement	☐	☐	☐
Resolution 3	Ratification of prior issue of Securities pursuant to the Institutional Placement	☐	☐	☐

STEP 3 SIGNATURE OF UNITHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Unitholder 1	Unitholder 2	Unitholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name……………………………………………..... Contact Daytime Telephone………………………............................... Date / / 2019