



INDUSTRIAREIT
An APN Property Group fund

Industria Trust No. 1 ARSN 125 862 875
Industria Trust No. 2 ARSN 125 862 491
Industria Trust No. 3 ARSN 166 150 938
Industria Trust No. 4 ARSN 166 163 186
Industria Company No. 1 Pty Ltd ACN 010 794 957

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ASX ANNOUNCEMENT (ASX code: IDR)

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Industria REIT reports full year 2015 Distribution per Security of 16.20 cents and increase in NTA to \$2.02 per Security

APN Funds Management Limited, the Responsible Entity of Industria REIT ('IDR' or the 'Fund') today announced the Fund's financial results for the period ended 30 June 2015.

Key highlights

- Distributed 16.20 cents per Security
- Completed leasing transactions for over 18,800 sqm
- Sale of 53 Brandl Street, Brisbane Technology Park at premium to book value
- 30 June 2015 net tangible assets per Security of \$2.02 (or \$2.05 excluding derivatives)
- Weighted average cap rate of 8.13%, firming 16bps from 8.29% as at 30 June 2014
- WALE of 4.8 years by Net Lettable Area¹
- Occupancy of 92.0%²
- Gearing of 33.4%

Financial Results

Industria REIT's Distributable Earnings of \$20.3 million was lower than PDS and Prospectus forecasts issued in October 2013. Distributions per Security of 16.20 cents were 3.1% below IPO forecasts and are in line with guidance provided in February 2015. This was largely attributable to lower than forecast rental income.

As previously advised at the AGM on 20 November 2014, the leasing market, particularly in Brisbane has deteriorated resulting in higher than forecast vacancy periods and lower than forecast rental income at the Brisbane Technology Park (BTP) and at Rhodes Building C, NSW.

Valuations and Net Tangible Assets

Total investment property assets decreased by \$4.1 million or 1.0% to \$399.9 million during the financial year. This reflects the sale of 53 Brandl Street and 21 Brandl Street (plot of land) (both in BTP), at a premium to their combined carrying value of \$10.2 million. It also reflects \$1.1 million of capital expenditure, \$1.7 million increase in deferred lease incentives and \$3.3 million of fair value uplift as a result of firming of capitalisation rates based on independent valuations.

Net tangible assets ('NTA') total \$249.8 million, equating to an increase in NTA per Security to \$2.02 as at 30 June 2015.

¹ WALE of 5.3 years as at 31 July 2015 (including certain transactions subject to documentation and approvals)

² Occupancy of 94.4% as at 31 July 2015 (including certain transactions subject to documentation and approvals)

Portfolio Performance

Throughout the year over 18,800 sqm was successfully renewed or leased, in what continues to be a challenging leasing environment. Occupancy was 92.0% as at 30 June 2015 with a portfolio WALE of 4.8 years by area. However, portfolio WALE following the leasing transactions listed below (including Heads of Agreement) and the commencement of the Interactive lease on 1 July 2015 has increased to 5.3 years with occupancy increasing to 94.4% as at 31 July 2015.

Leasing

Key leasing transactions completed in FY2015

- 10,647 sqm industrial tenancy to RFS at 32 Garden Street, Kilsyth
- 2,859 sqm industrial tenancy to Toyota Australia at Unit F, 5 Butler Boulevard, Adelaide Airport
- 4,162 sqm office tenancy to Interactive at 7 Clunies Ross Court, Brisbane Technology Park
- 420 sqm office tenancy to ABC Consulting at Rhodes Building C
- 401 sqm office tenancy to Nexon at 6 Electronics Street, Brisbane Technology Park
- 350 sqm office tenancy to Wiley & Co. at Rhodes Building C

Leasing completed post 30 June 2015

Post reporting date a number of leasing transactions have been negotiated including new leases and renewals of existing tenants. Over 10,700 square metres of transactions are either under negotiation (subject to approvals and documentation) or have been completed, significantly reducing leasing risk in financial years ending June 2016 and June 2017.

Key leasing transactions completed post 30 June 2015 (comprising 4,545 sqm of the 10,700 sqm)

- 1,525 sqm office tenancy to Toshiba at 7 Clunies Ross Court, Brisbane Technology Park
- 1,641 sqm office tenancy to BTP Services at 7 Clunies Ross Court, Brisbane Technology Park
- 859 sqm office tenancy to Zimmer at 85 Brandl Street, Brisbane Technology Park
- 520 sqm short-term office tenancy to BTPIQ at 18 Brandl Street, Brisbane Technology Park

Leasing transactions subject to documentation and approvals total 6,173 square metres.

Capital Management

Industria REIT's gearing was 33.4% as at 30 June 2015, within the target gearing range of 30% to 40%. Industria REIT's underlying debt facilities were extended and repriced in the period resulting in an extension of the terms of the existing debt facilities by 12 months such that the new maturity dates are 5 December 2017 (3 year term facility) and 5 December 2019 (5 year term facility). Industria REIT's hedging profile remains consistent with stated policy of between 50% and 100% hedged and has a weighted average duration of 2.4 years.

Reporting Funds From Operation (FFO)

As previously advised on 18 June 2015, Industria REIT moved to Funds From Operations (FFO) as the basis for determining distributable profit effective 1 July 2015. This will allow investors and analysts to benchmark IDR's performance on a more widely used basis amongst AREITs.

Distributions will be based on a payout ratio of between 95% and 100% of FFO for FY2016. The payout ratio will be set with consideration to ongoing maintenance capital expenditure requirements as part of ongoing capital management.

Objectives

IDR's objective is to provide investors with access to a well leased workspace focussed commercial property portfolio and relatively high cash income distribution yield. IDR is focussed on active management and its leasing program to maximise the portfolio's WALE, occupancy and income level.

IDR intends to continue to pursue opportunities to recycle capital through optimising its property portfolio, having regard to occupancy levels and enhancing portfolio value over the short and longer term.

FY2016 Outlook and Distribution per Security Guidance

Leasing conditions continue to be challenging. At present there are no signs of improvement in either tenant demand or leasing terms in the Brisbane market and we do not expect this situation to change in the near term.

Consistent with our view of the market, distributions for the period ending 30 June 2016 are forecast to be 15.00 – 15.80 cents per Security.

The low end of the guidance range assumes:

- no leasing activity other than transactions which have been completed as at 17 August 2015;
- current market conditions continue; and
- no unforeseen events occur, including tenant defaults.

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About Industria REIT

Industria REIT (ASX code: IDR) managed by APN Funds Management Limited, is a listed Australian real estate investment trust (AREIT) which owns a workspace focussed portfolio of 17 established, high quality industrial, technology park and business park assets located across Sydney, Melbourne, Brisbane and Adelaide. Industria's portfolio provides tenants with modern, cost effective and practical spaces to meet their business needs.

industriareit.com.au

About APN Property Group

APN Property Group Limited (ASX code: APD) is a specialist real estate investment manager. Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutional and retail investors. APN's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

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