



## 2016 HALF YEAR RESULTS PRESENTATION

22 February 2016

[www.industriareit.com.au](http://www.industriareit.com.au)  
ASX CODE: IDR



**INDUSTRIAREIT**  
An APN Property Group fund



# Contents

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- Highlights
- Financial Results
- Portfolio Performance
- Capital Management
- Outlook
- Appendices
  - Detailed Property Portfolio
  - Financial Information

# HIGHLIGHTS





## Industria REIT Highlights

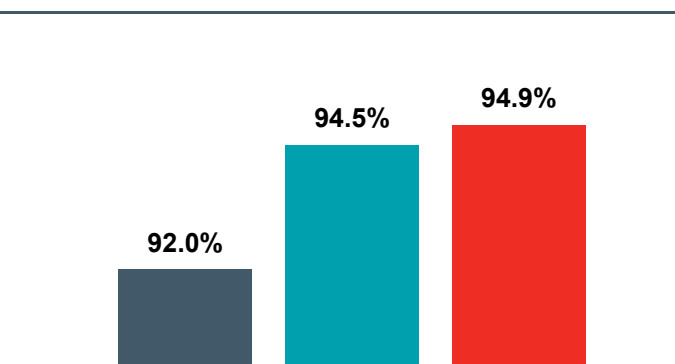
Over **22,300 sqm** leasing transactions in six month period to 31 December 2015

Significantly reduced lease expiry in FY2016 and FY2017 and increased WALE

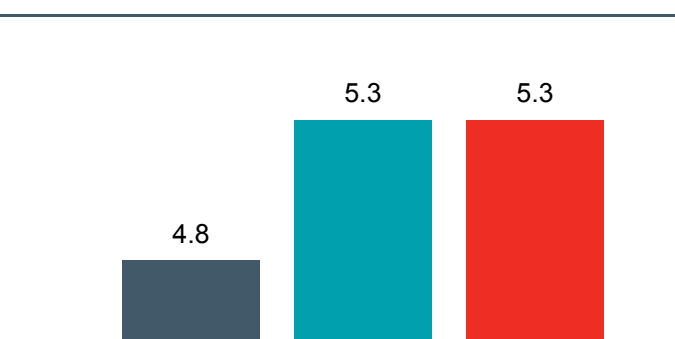
NTA per Security **\$2.11** up from \$2.02 at June 2015

1H2016 Distribution of **7.5 cents per Security**

Occupancy (by area)



WALE (years by area)



■ 30-Jun-15  
■ 31-Dec-15  
■ 31 Jan 2016 completed (including Fujitsu and Auscript)



## Industria key metrics

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- ▶ Portfolio value **\$418.1 million**
- ▶ **161,031** square metres of Net Lettable Area across 17 assets
- ▶ Weighted average portfolio cap rate **7.77%**
- ▶ Occupancy **94.5%**<sup>1</sup>
- ▶ Weighted average lease expiry (WALE) **5.3 years**<sup>1</sup>
- ▶ NTA per Security \$2.11
- ▶ Gearing **33.1%**<sup>2</sup>
- ▶ FY2016 Distribution guidance **15.2 to 15.6 cents per Security** subject to market conditions and no unforeseen events

1. By area, as at 31 December 2015.  
2. Debt less cash divided by the value of the Portfolio



# 1H2016 Results Summary

## Distribution of 7.5 cps together with improved occupancy and WALE

1

### **FY16 Forecast Distribution of 15.2 - 15.6 cents per Security**

- Distribution of 7.5 cents per Security declared for 1H2016
- FFO (distributable earnings) of \$10.5 million
- Tax deferred component of 38.3%

2

### **Recent leasing success despite challenging market conditions**

- Active asset management in challenging market conditions
- Over 22,300 sqm of space has been leased in the six month period since 1 July 2015
- A further 2,426 sqm of space was leased or renewed by existing tenants post 31 December 2015

3

### **Property portfolio metrics improved despite challenging market conditions**

- WALE of 5.3 years by Net Lettable Area
- Occupancy of 94.5% (94.9% post balance date)
- Net Tangible Assets per Security increased to \$2.11 as at 31 December 2015
- Weighted average cap rate of 7.77% at 31 December 2015 firming from 8.13% at 30 June 2015
- Reduced lease expiry in FY17 to 7.3% of portfolio at 31 December 2015 from 12.1% at 30 June 2015



# 1H2016 Results Summary (cont'd)

## Consistent capital management approach

4

### Capital structure maintained, capital actively managed

- Maintained Gearing<sup>1</sup> at lower end of target range (30-40%): 33.1% as at 31 December 2015
- Weighted average debt term of 3.8 years
- Weighted average all-in cost of debt 4.2% p.a.
- Continued on market Security buy-back purchasing a further 0.5 million Securities below NTA during the six month period

5

### Distribution guidance

- FY2016 distribution guidance of 15.2 to 15.6 cents per Security
- Low end of distribution range assumes:
  - no further new leasing;
  - current market conditions continue; and
  - no unforeseen events occur, including tenant defaults
- This represents a forecast FY2016 cash distribution yield of 7.4% to 7.6%<sup>2</sup>

1. Debt less cash divided by value of Portfolio  
2. Based on price of \$2.06 per Security as at 19 February 2016



# FINANCIAL RESULTS







## Income and distributions

- IDR distributed 7.5 cents per Security in 1H2016 in line with guidance
- 1H2016 payout ratio 88.0% slightly below 90-100% range
- FFO per Security 8.53 cents

<b>\$000s (unless otherwise stated)</b>	<b>1H16</b>	<b>1H15</b>
Statutory net profit	19,873	11,201
FFO (Distributable Earnings)	10,490	10,636
Distributions	9,226	10,450
Securities on issue (millions)	123.0	125.0
Statutory Earnings per Security (cents)	16.13	8.96
FFO (Distributable Earnings) per Security (cents)	8.53	8.51
<b>Distribution per Security (cents)</b>	<b>7.50</b>	<b>8.36</b>
FFO payout ratio (%)	88.0%	98.3%
Tax deferred component of Distribution	38%	49%



## Balance sheet

- Gearing 33.1% within target range of 30% - 40%
- Improved NTA per Security to \$2.11 at 31 December 2015 from \$2.02 as at 30 June 2015

\$000s (unless otherwise stated)	1H16	FY15	Change
Investment properties	418,081	399,883	▲
Total assets	424,933	406,356	▲
Total liabilities	165,322	156,518	▲
Net tangible assets	259,611	249,838	▲
Securities on issue (millions)	123.0	123.5	▼
<b>Net Tangible Assets per Security</b>	<b>\$2.11</b>	<b>\$2.02</b>	<b>▲</b>
<b>Net Tangible Assets per Security (Excluding derivatives liability)</b>	<b>\$2.14</b>	<b>\$2.05</b>	<b>▲</b>
Gearing <sup>1</sup>	33.1%	33.4%	▼

1. Debt less cash divided by value of Portfolio

# PORTFOLIO PERFORMANCE

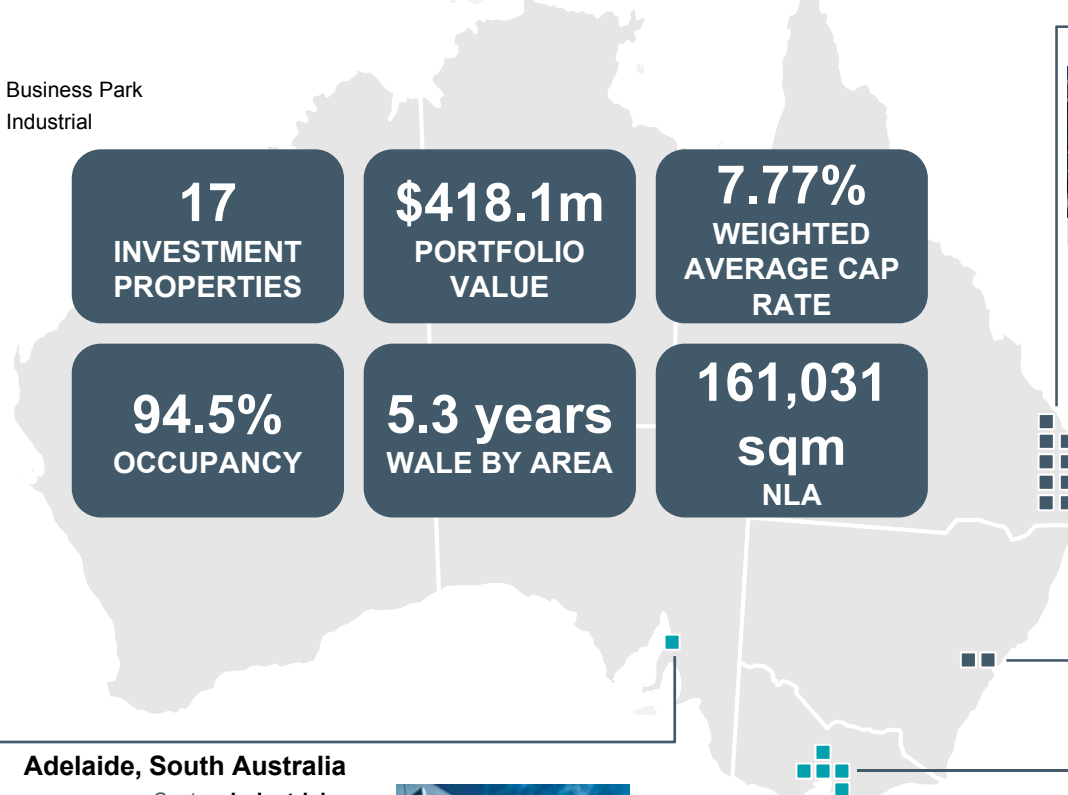




# Industria REIT portfolio overview

## Portfolio overview as at 31 December 2015

- Business Park
- Industrial



<b>17</b> INVESTMENT PROPERTIES	<b>\$418.1m</b> PORTFOLIO VALUE	<b>7.77%</b> WEIGHTED AVERAGE CAP RATE
<b>94.5%</b> OCCUPANCY	<b>5.3 years</b> WALE BY AREA	<b>161,031</b> sqm NLA

**Brisbane, Queensland**



Sector <b>Business Park</b>	
Investment properties	<b>9</b>
Value (\$ million)	<b>170.8</b>
Weighted avg. cap rate	<b>8.48%</b>
Occupancy (by area)	<b>83.6%</b>
WALE (years by area)	<b>3.7</b>

37 Brandl Street, BTP

**Sydney, New South Wales**




Sector <b>Business Park</b>	
Investment properties	<b>2</b>
Value (\$ million)	<b>144.8</b>
Weighted avg. cap rate	<b>7.09%</b>
Occupancy (by area)	<b>91.0%</b>
WALE (years by area)	<b>4.7</b>

Building C, 1 Homebush Day Drive

**Adelaide, South Australia**

Sector <b>Industrial</b>	
Investment properties	<b>1</b>
Value (\$ million)	<b>12.8</b>
Weighted avg. cap rate	<b>10.00%</b>
Occupancy (by area)	<b>100%</b>
WALE (years by area)	<b>2.1</b>



5 Butler Boulevard, Adelaide Airport

**Melbourne, Victoria**



Sector <b>Industrial</b>	
Investment properties	<b>5</b>
Value (\$ million)	<b>89.7</b>
Weighted avg. cap rate	<b>7.49%</b>
Occupancy (by area)	<b>100%</b>
WALE (years by area)	<b>6.7</b>

140 Sharps Road, Tullamarine



## Key leasing success – summary

1H2016

Property	Tenant	NLA (sqm)	Type	Status
80-96 South Park Drive, South Park	Hollier Dicksons	10,241	Assignment and Extension	Complete
Building C, 1 Homebush Bay Drive, RBP	Frasers	3,720	7-year Extension	Complete
7 Clunies Ross Court, BTP	BTP Services	1,641	Option exercised	Complete
7 Clunies Ross Court, BTP	Toshiba	1,525	New lease	Complete
85 Brandl Street, BTP	Zimmer	859	New lease	Complete
18 Brandl Street, BTP	BTPIQ	520	Option exercise	Complete
9 McKechnie Drive, BTP	Johnson & Johnson	2,094	Short-term Extension	Complete
26 HiTech Court, BTP	MeT	359	Short-term Extension	Complete
8 Clunies Ross Court, BTP	Dredging International	220	New lease	Complete
37 Brandl Street, BTP	U&D Mining	481	Short-term Extension	Complete
88 Brandl Street, BTP	Saleslink	685	New lease	Complete
<b>Total</b>		<b>22,345</b>		

Post 31 Dec 2015

Property	Tenant	NLA (sqm)	Type	Status
7 Brandl Street, BTP	Fujitsu	656	New lease	Complete
7 Brandl Street, BTP	Fujitsu	1,277	Extension	Complete
7 Clunies Ross Court, BTP	Auscript	493	Extension	Complete
<b>Total</b>		<b>2,426</b>		

**Solid leasing success to date despite challenging market conditions with a total of 43,610 sqm of NLA leased since 1 July 2014**

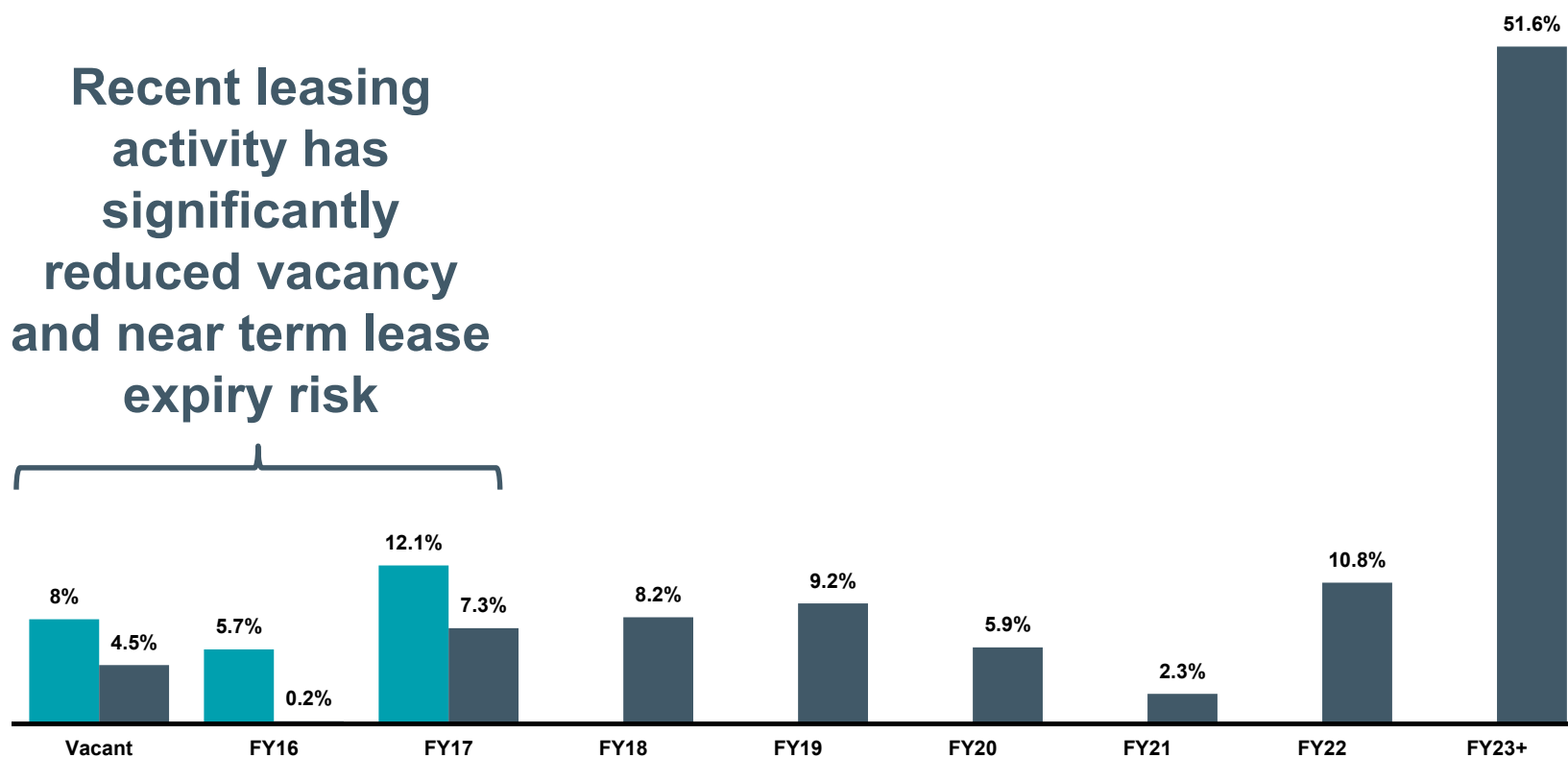


## Key leasing success – summary (cont'd)

### Lease expiry profile (by area)

■ 30 June 2015 ■ 31 December 2015

Recent leasing activity has significantly reduced vacancy and near term lease expiry risk

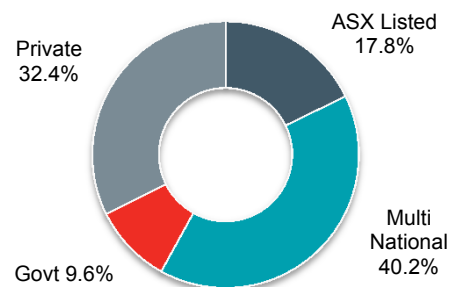




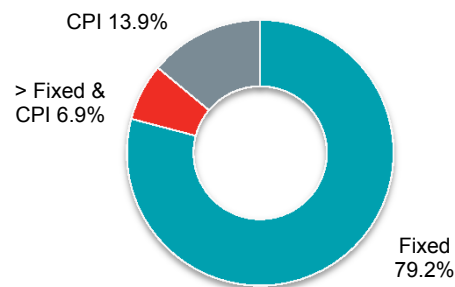
# Portfolio summary

## Components of Industria's income stream

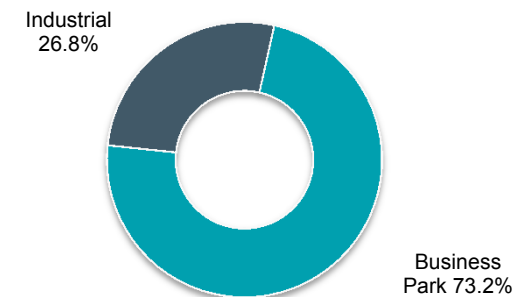
### Tenant Diversification (by income)



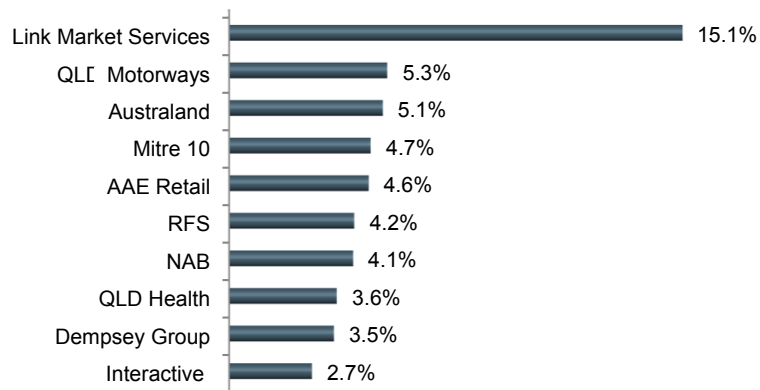
### Rental review profile



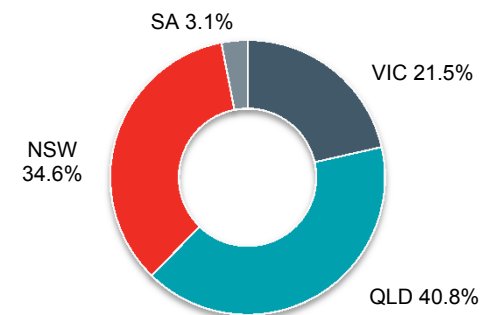
### Sector allocation



### Tenant diversification (top 10 tenants by income)



### Geographic diversification (by value)





# CAPITAL MANAGEMENT



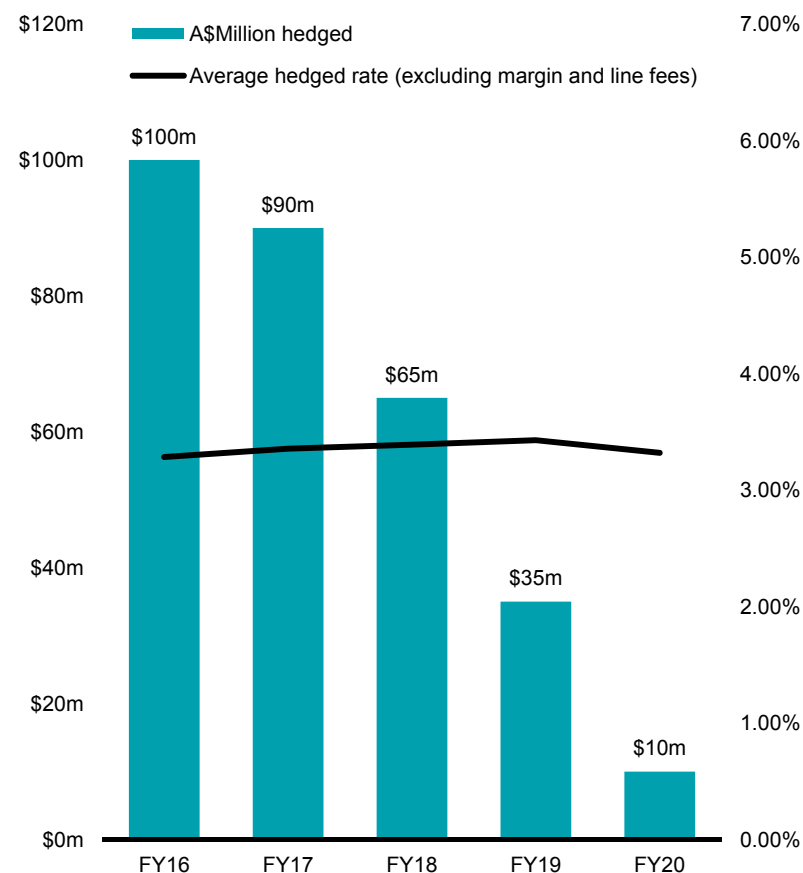


# Active capital management approach

## Gearing level maintained, debt terms extended, buy back undertaken

- Gearing**
  - Gearing<sup>1</sup> of 33.1%
  - Target gearing range of 30% to 40%
- Debt**
  - Multiple lenders (ANZ and NAB) – staggered debt expiries
  - Facility limit: \$165m – drawn: \$140.5m
  - Weighted average all-in cost of debt of 4.2%
  - Weighted average debt expiry 3.8 years
- Interest Rate Hedging**
  - Post balance sheet date executed 'blend and extend' trades to reduce weighted average hedge rate to 3% with effect from March 2016 (3.24% at 31 December 2015)
  - Weighted average duration of hedges 1.9 years at 31 December 2015, increasing to 2.9 years post 'blend and extend' trades
- Buy-back**
  - 2 million Securities bought back below NTA

Interest Rate Hedging Profile at 31 December 2015



1. Debt less cash, divided by the value of the Portfolio

# OUTLOOK





## Market outlook – Transaction activity

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### Property investor interest remains firm

- Investment volumes remain strong as international investors remain active in the market
- Investment yields expected to continue firming for modern, well located assets
- Recycling initiatives continue to be explored, with the objective of reducing the portfolio's exposure to the suburban office market in Brisbane
- These initiatives, including any decision to buy or sell a particular property, will be pursued with the objective of maximising value for IDR's investors
- In seeking to maximise value for IDR's investors, due consideration will be given to occupancy, weighted average lease expiry and future cash flow growth potential when considering any acquisition or divestment opportunity

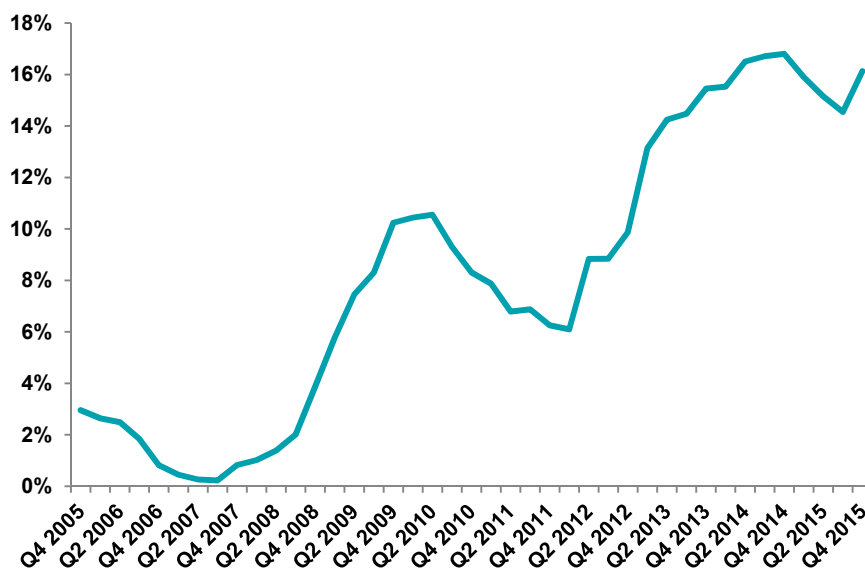


## Market outlook – Occupier markets

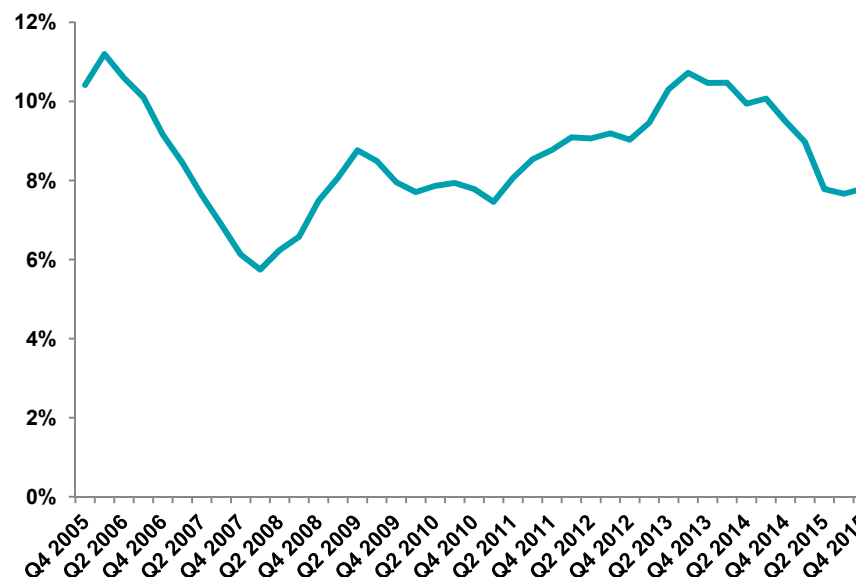
### Leasing conditions remain subdued in certain markets

- Following a period of relatively subdued growth the Sydney suburban office market is showing modest signs of recovery in occupier demand
- The Queensland economy is undergoing transition following the decline of the resources sector. There has been a marginal improvement in vacancy rates recently, however rental rates remain subdued and incentives remain at relatively high rates.

#### Brisbane CBD Vacancy



#### Sydney CBD Vacancy





## Outlook – Industria REIT

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**Industria remains focussed on its objective of delivering stable cash returns with the potential for income and capital growth**

- **A quality portfolio of workspace assets underpins Industria REIT**
  - Focus on industrial and business park assets that provide tenants with modern, cost effective and practical spaces to meet their business needs
  
- **Leases to a diversified tenant base providing a secure and growing income stream**
  - Rental income underpinned by high occupancy and long leases to reputable tenants
  - Majority of income growth derived from fixed and / or CPI-linked rental increase
  - Continue to focus on asset management initiatives and leasing objectives whilst pursuing acquisition and divestment opportunities



## FY2016 Distribution per Security guidance

### Forecast FY2016 Distribution yield of at least 7.4%

- FY2016 distribution guidance is 15.2 to 15.6 cents per Security
- Low end of distribution range assumes:
  - no new leasing activity;
  - current market conditions continue; and
  - no unforeseen events occur, including tenant defaults





# APPENDICES



# APPENDIX A

## Detailed Property Portfolio





## Portfolio details as at 31 December 2015

Property	State	Ownership	Sector	Valuation (\$m)	Cap Rate	NLA (sqm)	Occupancy (by area)	WALE (by area)	NPI (\$m)
34 Australis Drive, Derrimut	VIC	100%	Industrial	24.0	7.00%	25,243	100%	6.92 yrs	0.891
80-96 South Park Drive, Dandenong South	VIC	100%	Industrial	20.0	7.25%	20,245	100%	5.11 yrs	0.808
89 West Park Drive, Derrimut	VIC	100%	Industrial	17.4	7.00%	17,024	100%	6.66 yrs	0.666
32-40 Garden Street, Kilsyth	VIC	100%	Industrial	14.8	7.25%	10,647	100%	8.97 yrs	0.433
5 Butler Boulevard, Adelaide Airport	SA	100%	Industrial	12.8	10.00%	12,257	100%	2.11 yrs	0.572
140 Sharps Rd, Tullamarine	VIC	100%	Industrial	13.5	8.25%	10,508	100%	6.75 yrs	0.733
7 Clunies Ross Court and 17-19 McKechnie Drive, BTP	QLD	100%	Bus Park	37.2	8.50%	8,823	100%	7.75 yrs	1.130
BTP Central, BTP	QLD	100%	Bus Park	39.7	7.78%	7,782	81%	3.16 yrs	1.296
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	100%	Bus Park	23.5	8.75%	5,682	86%	1.66 yrs	0.933
7 Brandl Street, BTP	QLD	100%	Bus Park	22.2	8.50%	5,264	88%	4.35 yrs	0.833
37 Brandl Street, BTP	QLD	100%	Bus Park	13.7	8.75%	3,329	100%	1.92 yrs	0.627
18 Brandl Street, BTP	QLD	100%	Bus Park	11.8	9.00%	4,174	47%	0.80 yrs	0.297
88 Brandl Street, BTP	QLD	100%	Bus Park	14.0	8.88%	3,283	79%	2.55 yrs	0.313
85 Brandl Street, BTP	QLD	100%	Bus Park	5.1	8.50%	1,544	56%	2.78 yrs	0.051
Building A, Rhodes	NSW	100%	Bus Park	90.0	7.00%	14,644	100%	5.24 yrs	3.188
Building C, 1 Rhodes	NSW	100%	Bus Park	54.8	7.25%	10,582	79%	3.68 yrs	1.382
Land (Lot 3 Brandl Street)	QLD	100%	Bus Park	1.1	N/A	-	-	-	(0.015)
Land (45 and 45B BTP Central)	QLD	100%	Bus Park	2.5	N/A	-	-	-	-
<b>Total</b>				<b>418.1</b>	<b>7.77%</b>	<b>161,031</b>	<b>94.5%</b>	<b>5.3 yrs</b>	<b>14.138</b>

# APPENDIX B

## Financial Information





## Balance sheet

	31 December 2015
	\$'000s
<b>Assets</b>	
Cash and cash equivalents	2,134
Trade and other receivables	3,578
Other current assets	675
<b>Total current assets</b>	<b>6,387</b>
Investment properties	418,081
Other assets	465
<b>Total non-current assets</b>	<b>418,546</b>
<b>Total assets</b>	<b>424,933</b>
<b>Liabilities</b>	
Trade payables and other provisions	(11,393)
Derivative instruments	(1,134)
Distribution payable	(9,226)
<b>Total current liabilities</b>	<b>(21,753)</b>
Trade and other payables	(383)
Deferred tax liability	(1,631)
Derivative instruments	(2,025)
Long-term borrowings	(139,530)
<b>Total non-current liabilities</b>	<b>(143,569)</b>
<b>Total liabilities</b>	<b>(165,322)</b>
<b>Net assets</b>	<b>259,611</b>
Number of Securities (millions)	123.0
NTA per Security (\$)	2.11



## Profit & Loss

	1H16	1H15
	\$'000	\$'000
<b>Income</b>		
Net rental income (including straight lining adjustments)	14,138	14,921
Other income	41	-
<b>Total revenue from continuing operations</b>	<b>14,179</b>	<b>14,921</b>
<b>Expenses</b>		
Trust management fees	(1,153)	(1,163)
Recurring trust costs	(278)	(367)
<b>Total expenses</b>	<b>(1,431)</b>	<b>(1,530)</b>
<b>Net operating income (EBIT)</b>	<b>12,748</b>	<b>13,391</b>
Net gain in fair value adjustments on investment properties	9,483	2,803
Gains on disposal of investment properties	-	565
Unrealised loss on mark to market of interest rate swaps	(74)	(1,799)
Net interest expense	(2,956)	(3,317)
<b>Net income before tax</b>	<b>19,201</b>	<b>11,643</b>
Income tax – current	-	-
Income tax – deferred	672	(442)
<b>Net profit after tax</b>	<b>19,873</b>	<b>11,201</b>



## Distribution reconciliation

	1H16	1H15
	\$'000	\$'000
<b>Comprehensive income / Statutory profit</b>	<b>19,873</b>	<b>11,201</b>
Adjust for:		
Straight lining adjustments included in rental revenue	(395)	(659)
Amortised leasing costs and rent free adjustments	953	484
Deferred tax	(672)	442
Amortised borrowing costs	140	172
FV gain on investment properties	(9,483)	(2,803)
FV loss on mark to market of derivatives	74	1,799
<b>FFO (Distributable Earnings)</b>	<b>10,490</b>	<b>10,636</b>
<b>Distribution</b>	<b>9,226</b>	<b>10,450</b>
Securities on issue (millions)	123.0	125.0
FFO (Distributable Earnings) per Security	8.53	8.51
Distribution per Security (cents)	7.50	8.36
Payout ratio (Distribution / FFO)	88.0%	98.3%





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