2016 FINANCIAL YEAR RESULTS PRESENTATION

22 August 2016

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ASX CODE: IDR

INDUSTRIAREIT

Agenda

01 Highlights and Investment Proposition

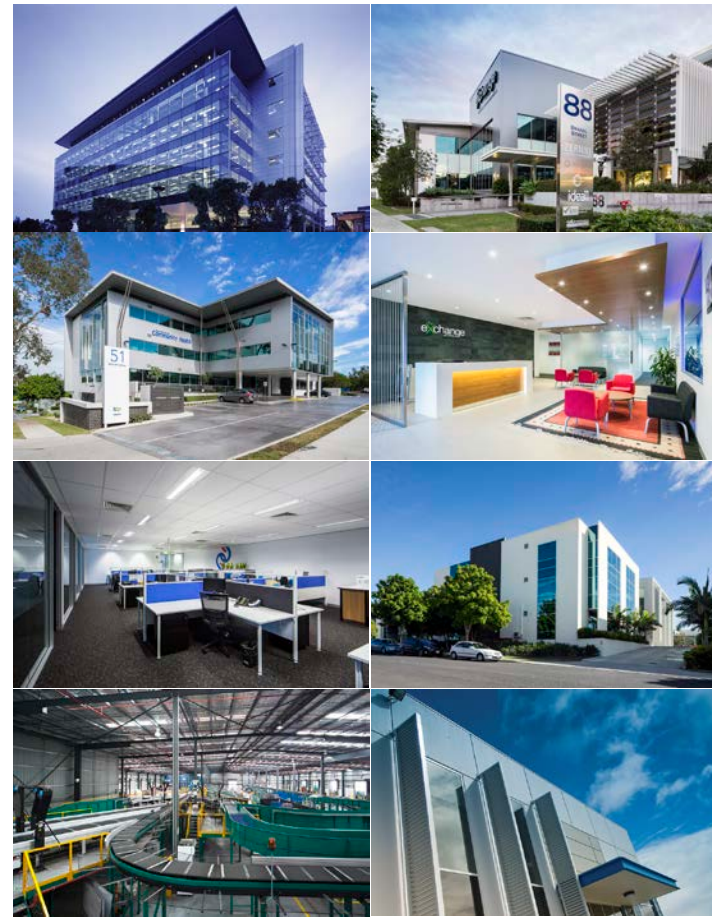
Highlights

Distribution 15.5 cents per security – towards the top of the 15.2 – 15.6 cents per security guidance range

New approach and active management at BTP has driven portfolio occupancy to 96%

Disposed of two assets at average 13% premium to book value

Strong financial position, with 30 June 2016 gearing of 33% anticipated to reduce to ~28% post asset sales



Industria – simple and transparent

Investing in quality and affordable workspaces

- Strategy to grow through investing in office and industrial assets that:
  - Provide businesses with attractively priced and well located workspaces
  - Produce sustainable income and capital growth returns

Consistent and low-risk income yield generation

- Average 3% annual escalations underpin organic growth

Maintaining low-risk capital position

- Target leverage band 30 – 40%, well below covenant of 55%

Dedicated, aligned and experienced management team with over 15 years average direct real estate experience

- 55bps of Gross Asset Value – no additional transactional or performance fees
- Governed by independent Board
- Significant manager alignment – with 14% of IDR owned by manager

30 June 2016 Financials

- Statutory net profit up $8.5 million to $31 million – largely due to investment property revaluations
- FFO marginally higher than pcp at 17.5 cents per security
- DPS 15.5 cents per security – towards the top of the 15.2 – 15.6 cents per security guidance band, but lower than prior periods largely due to occupancy – as anticipated and outlined in pcp disclosures
- High proportion of distribution was tax deferred – enhancing the post-tax dividend
- NTA increased $0.01 per security following revaluations and other non-cash items

$'000s (unless otherwise stated)	FY16	FY15
Statutory net profit	$31,261	$22,772
FFO	$21,535	$21,298
FFO per security	17.5	17.25
Distribution	$19,068	$20,131
Distribution per security	15.5	16.2
FFO payout ratio (%)	88.5%	94.5%
Tax deferred component of distribution	42.6%	45.5%

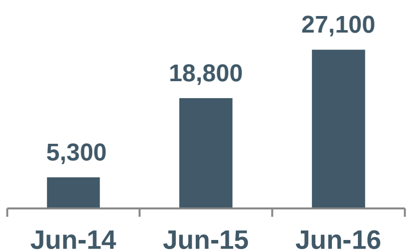
	FY16	1H16
Gearing	33.1%	33.1%
Net Tangible Assets	$2.12	$2.11

02 Portfolio performance

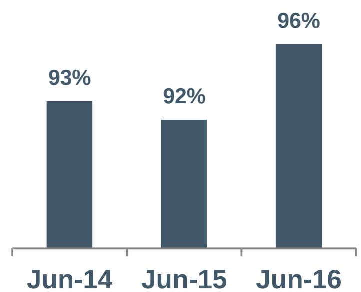
Portfolio performance continues to improve

Actively managing the portfolio

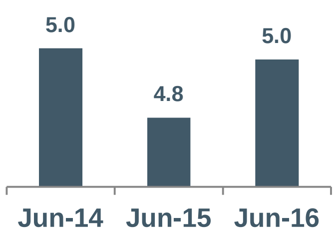
Leasing momentum



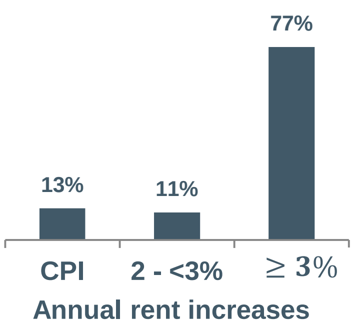
Occupancy trending higher



Maintaining high WALE



Generating organic growth



80-96 South Park Drive, Dandenong South

Building C,
1 Homebush Bay Drive, Rhodes

18 Brandl Street, BTP

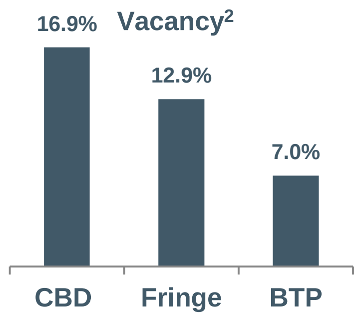
BTP – Performing ahead of expectations

- Leased 13,100sqm, including over 5,200sqm of vacancy
- New approach that controls property management has proven critical to retaining tenants

Increased occupancy

73% FY15
91% FY16[1]

Improving market dynamic



Established location

~105,000sqm
Major occupiers include:
Queensland Health
Transurban
Woolworths

Affordable rents

~$330 psm
and carparking ~$5 per day

7 Clunies Ross Court and
17-19 McKechnie Drive, BTP

BTP Central, BTP

37 Brandl Street, BTP

88 Brandl Street, BTP

[1] 89% post sale of 7 and 85 Brandl St
[2] PCA July 2016

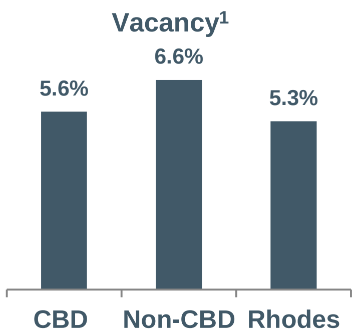
Rhodes – set to benefit from strong market dynamics

- Good enquiry over ~2,300 square metres of vacancy
- Confident the market will underpin lease-up throughout FY17

Solid occupancy

91% FY15
91% FY16

Healthy market dynamic



Established location

>85,000sqm

Major occupiers include:
Link Market Services
Frasers Property Group
Nestle

Affordable rents

~$370 psm
compared to CBD ~$900 psm

Building A, Rhodes

Building C, Rhodes

[1] PCA July 2016; APN Property Group

Industrial – prime assets in gateway locations

- De-risked October 2016 expiry at South Park Dr, Dandenong South – with new 7 year lease over 10,000sqm – avoiding potential downtime and income loss
- Assets are 100% leased with limited near-term leasing risk

Strong occupancy

100% FY15
100% FY16

140 Sharps Road, Tullamarine

Modern, relevant properties

Average age 9 years – minimal near-term capex

34 Australis Drive, Derrimut

Established locations

Major Melbourne and Adelaide industrial precincts

5 Butler Boulevard, Adelaide Airport

Long WALE

5.7 years

89 West Park Drive, Derrimut

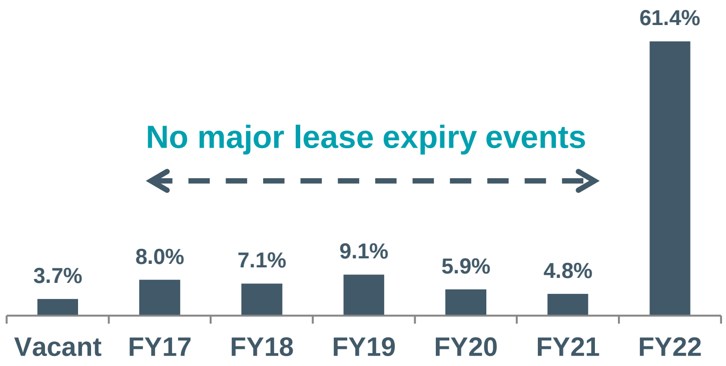
Near-term leasing risks and key focus areas

- Net Property Income was higher than expected, but year-on-year fell 1% to $28.1m
- Average incentives from leasing – 23%
- 2,300 sqm to lease at Building C – although we are conservative in our assumptions, market conditions are favourable for affordable A-grade space
- Occupancy has increased following strong lease up at BTP. Largely consistent with prior years, there are expiries of ~8,000sqm in FY17. Our leasing momentum should see continued lease-up, although we expect vacancy to rise near-term
- Manageable future lease expiry profile:
    - Diversified across financial years and locations
    - Split office ~6% and industrial ~2% in FY17

Key FY17 lease expiries

Building	Tenant	Area	Expiry
88 Brandl, BTP	ASCT	741	Nov '16
Rhodes C	NAB	1,290	Dec '16
8 Clunies Ross, BTP	BGC Contracting	743	Mar '17
8 Clunies Ross, BTP	Johnson & Johnson	2,094	Apr '17
Butler Bv, Adelaide	Bayer	2,253	May '17

Lease expiry profile (by area)



[1] After reversal of non-cash straight lining of rent of $1m; comp period $28.4m

Valuations and book values

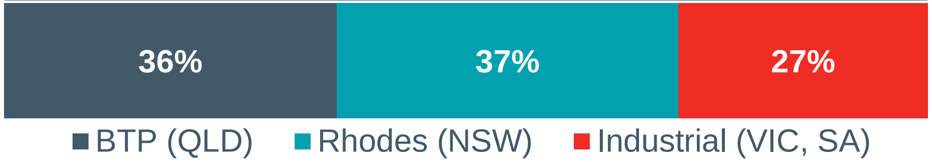
- Strong results from asset sales – capitalising on leasing success to crystallise value at significant premiums to book value:
  - 7 Brandl St 10% premium
  - 85 Brandl St 30% premium
- Book values increased $18.9 million over the year[1]. $18.2 million valuation uplifts booked at 1H; 2H uplifts of $0.7m were limited by BTP:
  - Valuations are conservative where there is near-term leasing risk
  - Emphasises the importance of leasing capability to underpin valuation as well as future earnings
- Asset sales reduce portfolio mix to BTP from 41% to 36%

Valuations and asset sales (Jun15 to Jun16)

Property	Book Value	Movement	Chg in cap rate	Cap rate
Asset sales				
7 Brandl St[1]	$25.5m	$3.3m	(1.00%)	7.50%
85 Brandl St[1]	$7.2m	$2.2m	(1.75%)	7.50%
Key valuation uplifts				
Rhodes A	$89.8m	$8.8m	(0.50%)	7.00%
Rhodes C	$54.7m	$3.1m	(0.50%)	7.25%
Australis Dr	$24.0m	$2.3m	(0.75%)	7.00%
Key valuation declines				
9 McKechnie Dr	$21.4m	($2.1m)	(0.50%)	8.25%
BTP Central	$40.8m	($1.4m)	(0.27%)	8.05%
37 Brandl St	$13.2m	($0.5m)	-	8.75%
Portfolio	**$419m**	**$18.9m**	**(0.51%)**	**7.62%**

Portfolio weighted average cap rate

Portfolio composition post asset sales



[1] Before adjustments for sales costs for properties reclassified as assets held for sale

03 Capital Management

Conservative balance sheet

Debt decreasing following asset sales

- Lower end of 30 – 40% leverage band – providing capacity to grow

Drawn debt	$140 million
Gearing	33.1%
Gearing post asset sales	~28%

Staggered debt maturities

- Finance provided by NAB and ANZ – weighted average debt maturity of 3.3 years

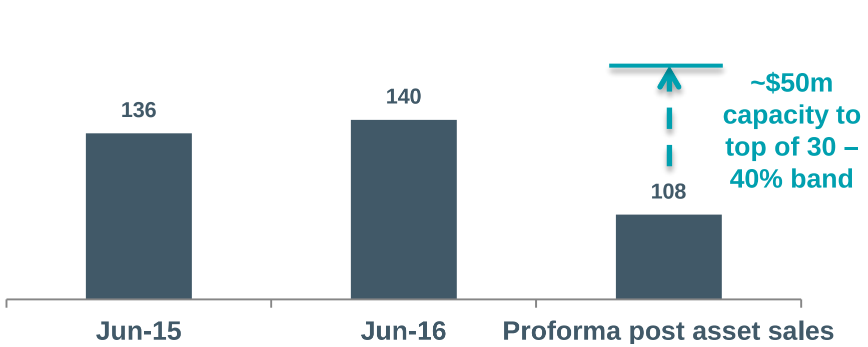
Tranche A / C	$92.5m	Dec – 18
Tranche B	$72.5m	Dec – 20

High interest cover

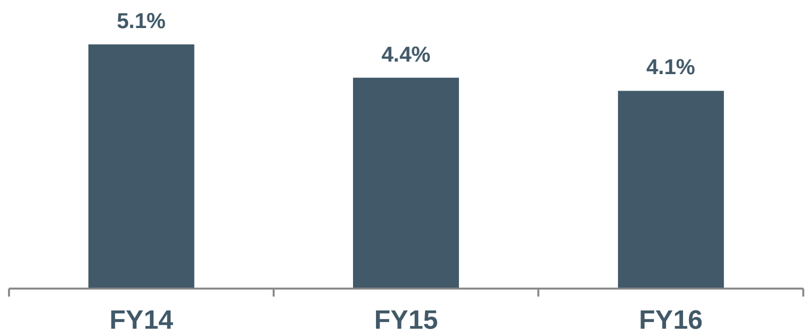
- ICR 5.2x; weighted average cost of debt 4.1%
- Hedging increases to 83% post asset sales; average FY17 hedge rate ~3%

Interest cover ratio	5.2x
Debt hedged	64%

Debt capacity



Weighted average interest cost



04 Market overview

Market overview

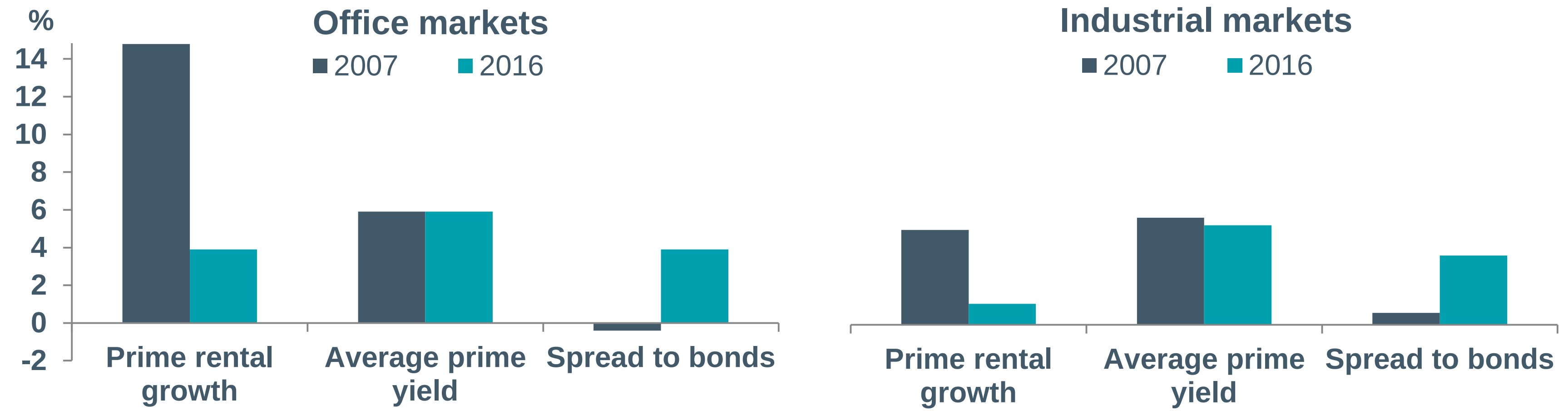
Investment activity remains strong

- Assets with long WALE’s are highly sought after – as proven by 7 and 85 Brandl St sales
- However bank lending conditions are becoming more challenging especially for assets with risk
- Industria will remain opportunistic – seeking out either office or industrial assets where pricing is favourable

Rental growth is weak

- Most markets have struggled to absorb new supply – resulting in elevated incentives and weak market rental growth
- Sydney is largely the exception, with stock withdrawal a major catalyst for 5.7% y-o-y gross rental growth
- In this low growth environment tenants remain sensitive to rent – emphasising the importance of affordable rent profiles

Yields are at 2007 levels despite weak fundamentals – underpinned by the spread to bonds



Gross rents and yields for Sydney, Melbourne and Brisbane - weighted by market; 10 year government bonds. Source: JLL; APN Property Group

05 Outlook

Summary and outlook

Generating sustainable returns by investing in quality and affordable workspaces

- Recent asset sales – at an average 13% premium to book value – have reduced Industria's asset base and income contributions
- Proceeds will be used to repay debt, reducing gearing and providing ~$50 million of debt capacity to deploy – which would likely result in immediate FFO and DPS accretion
- Although acquisitions are being pursued, we will continue to be patient and focused on generating sustainable income and capital growth through investing in either office or industrial assets that provide well located and attractively priced workspaces for business

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- The dilution from asset sales – representing ~4.5% of FY16 FFO – has been offset by fixed rent increases and FY16 lease-up, underpinning modest FFO accretion on FY16
- FY17 guidance:
  - FFO 17.5 – 17.7 cents per security
  - DPS 15.6 cents per security
  - Subject to current market conditions continuing and no unforeseen events

Appendix A
Property portfolio

Portfolio details as at 30 June 2016

Property	State	Ownership	Sector	Valuation ($m)	Cap Rate (%)	NLA (sqm)	Occupancy (by area)	WALE (by area)
34 Australis Drive, Derrimut	VIC	100%	Industrial	24.0	7.00%	25,243	100%	6.4 yrs
80-96 South Park Drive, Dandenong South	VIC	100%	Industrial	20.2	7.25%	20,245	100%	5.1 yrs
89 West Park Drive. Derrimut	VIC	100%	Industrial	17.4	7.00%	17,024	100%	6.2 yrs
32-40 Garden Street, Kilsyth	VIC	100%	Industrial	14.7	7.25%	10,647	100%	8.5 yrs
5 Butler Boulevard, Adelaide Airport	SA	100%	Industrial	12.5	9.75%	12,257	100%	1.6 yrs
140 Sharps Rd, Tullamarine	VIC	100%	Industrial	13.5	8.25%	10,508	100%	6.3 yrs
7 Clunies Ross Court and 17–19 McKechnie Drive, BTP	QLD	100%	Bus Park	39.0	8.00%	8,877	100%	7.2 yrs
BTP Central, BTP	QLD	100%	Bus Park	40.8	8.05%	7,782	81%	2.9 yrs
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	100%	Bus Park	21.4	8.25%	5,704	86%	1.4 yrs
37 Brandl Street, BTP	QLD	100%	Bus Park	13.2	8.75%	3,329	100%	1.4 yrs
18 Brandl Street, BTP	QLD	100%	Bus Park	11.5	8.50%	4,174	76%	0.7 yrs
88 Brandl Street, BTP	QLD	100%	Bus Park	13.5	8.50%	3,121	88%	2.3 yrs
Building A, Rhodes	NSW	100%	Bus Park	89.8	7.00%	14,644	100%	4.7 yrs
Building C, 1 Rhodes	NSW	100%	Bus Park	54.7	7.25%	10,582	79%	3.8 yrs
Like for like portfolio				**386.1**	**7.63%**	**154,136**	**96%**	**5.0 yrs**
Assets held for sale								
7 Brandl Street, BTP	QLD	100%	Bus Park	25.1[1]	7.50%	5,264	100%	5.0 yrs
85 Brandl Street, BTP	QLD	100%	Bus Park	6.6[1]	7.50%	1,594	100%	4.5 yrs
Total				**417.9[1]**	**7.62%**	**160,994**	**96%**	**5.0 yrs**

[1] After adjustments for sales costs for properties reclassified as assets held for sale

Appendix B
Financial information

Balance Sheet

	30 June 2016	30 June 2015
	$'000s	$'000s
Assets		
Cash and cash equivalents	1,607	1,873
Trade and other receivables	2,021	3,992
Other current assets	355	519
	3,983	**6,384**
Assets classified as held for sale	31,724	-
Total current assets	**35,707**	**6,384**
Investment properties	386,139	399,883
Other assets	-	89
Total non-current assets	**386,139**	**399,972**
Total assets	**421,846**	**406,356**
Liabilities		
Trade payables and other provisions	(4,967)	(6,600)
Derivative instruments	(1,042)	(1,216)
Distribution payable	(9,842)	(9,681)
Total current liabilities	**(15,851)**	**(17,497)**
Trade and other payables	(240)	(180)
Deferred tax liability	(2,069)	(2,303)
Derivative instruments	(3,266)	(1,869)
Long-term borrowings[1]	(139,263)	(134,669)
Total non-current liabilities	**(144,838)**	**(139,021)**
Total liabilities	**(160,689)**	**(156,518)**
Net assets	**261,157**	**249,838**
Number of Securities (millions)	123.0	123.4
NTA per Security ($)	2.12	2.02

[1] Borrowings are net of capitalised borrowing costs of $847,000 (2015: $891,000)

Profit and Loss Statement

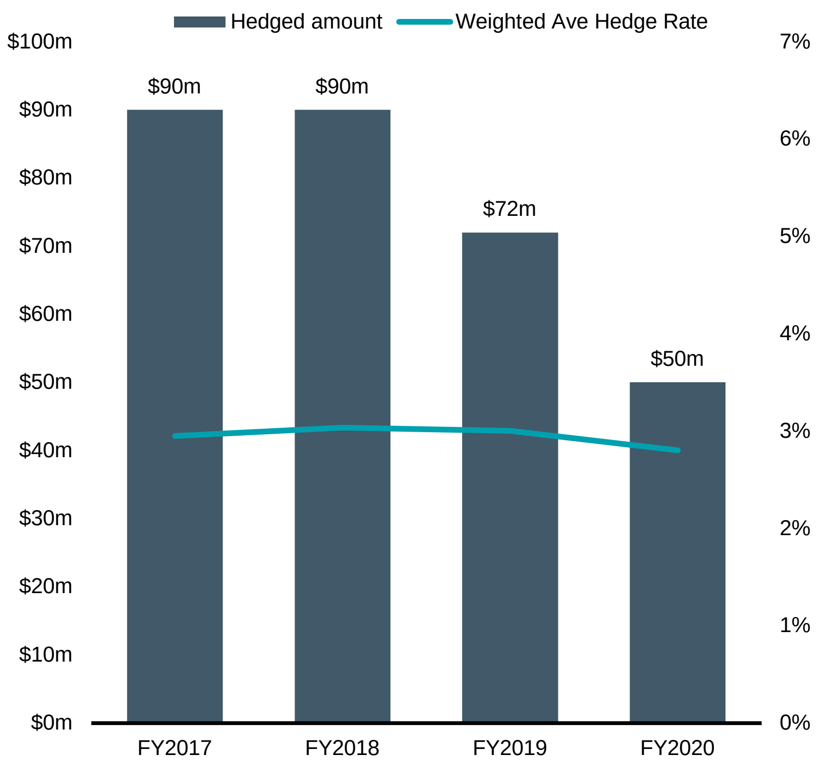
	FY16	FY15
	$'000	$'000
Income		
Net rental income (including straight lining adjustments)	29,115	29,644
Other income	41	-
Total revenue	**29,156**	**29,644**
Expenses		
Trust management fees	(2,318)	(2,219)
Recurring trust costs	(603)	(591)
Total expenses	**(2,921)**	**(2,810)**
Net operating income (EBIT)	**26,235**	**26,834**
Net gain in fair value adjustments on investment properties	12,026	3,257
Gains on disposal of investment properties	3	668
Unrealised loss on mark to market of interest rate swaps	(1,224)	(1,776)
Net interest expense	(6,013)	(6,215)
Net income before tax	**31,027**	**22,768**
Income tax – current	-	(74)
Income tax – deferred	234	78
Net profit after tax	**31,261**	**22,772**

Distribution reconciliation

	FY16	FY15
	$'000	**$'000**
Total comprehensive income for the financial year	31,261	22,772
Adjusted for:		
Reverse straight lining of rent	(1,050)	(1,223)
Add back amortised leasing costs and rent free adjustments	2,087	985
(Deduct) / Add back deferred tax (credit) / charge	(234)	(78)
Add back amortised borrowing costs	273	323
Reverse fair value gain on investment properties	(12,026)	(3,257)
Add back fair value loss on derivatives	1,224	1,776
FFO	**21,535**	**21,298**
Distribution	**19,068**	**20,131**
Securities on issue (millions)	123.0	123.4
Payout ratio (Distribution / FFO)	88.5%	94.5%
Distribution per Security (cents per Security)	15.5	16.2
FFO (cents per Security)	17.5	17.25

Hedging and tenant mix

Interest Rate Hedging Profile



Top 10 Tenants

Tenant	% Income
Link Market Services	15.1%
Frasers Property	4.9%
QLD Motorways	4.8%
Mitre 10	4.8%
AAE Retail	4.7%
NAB	4.2%
RFS	4.1%
QLD Health DHP	3.7%
Dempsey Group	3.5%
Interactive Pty Ltd	3.4%
Top 10 Tenants	**53.2%**
Other	46.8%
Total	**100.0%**

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