2017 HALF YEAR RESULTS PRESENTATION

20 February 2017

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ASX CODE: IDR

INDUSTRIA REIT

Agenda

01 Highlights and Investment Proposition

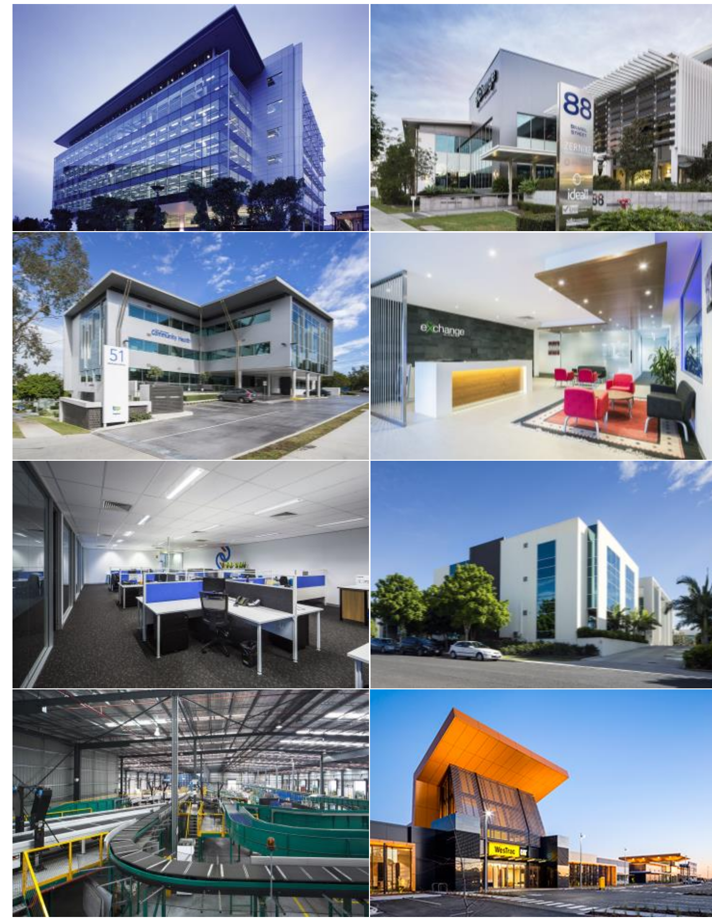
Highlights

1H17 FFO 9.8 cents per security; on-track to deliver previously upgraded FY17 FFO guidance of 2 to 3% growth on FY16

Completed $158.6 million acquisition of WesTrac Newcastle at 7.25% initial yield - backed by triple-net 18 year lease

Another active period of management – with ~17,600sqm of leasing completed

Maintained high occupancy of 96% and enhanced WALE to 7.8 years



Industria – quality portfolio; active and aligned management

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

- 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

AT A GLANCE

Total assets	$552m
Market cap[1]	~$339m
Distribution yield[1]	~7.7%
Gearing	35%
WALE	7.8 years
Occupancy	96%

1. As at 17 February 2017

31 December 2016 Financials

- Statutory net profit $8.3 million, down 58% on pcp. Key drivers :
  - Net Property Income $17.2 million, up 25% on pcp due to WesTrac Newcastle; like-for-like NPI up 7% on a like-for-like basis – benefiting strongly from leasing
  - Valuation uplifts of $3.4 million (~4% increase on assets revalued)
  - Acquisition costs associated with WesTrac Newcastle of $8.8 million
- On track to deliver previously upgraded guidance for the full year:
  - FFO up 1.3 cents to 9.8 cents per security – with 1H17 skew due to anticipated break fee receipt and lease expiries – 2H17 will be lower and track to 17.9 – 18.1 full year guidance
  - DPS 8.0 cents – and on-track to deliver upgraded full year forecast of 16.0 cents
- NTA up $0.03 to $2.08 cents per security on pro-forma WesTrac Newcastle NTA (Sept '16); down $0.04 on FY16

$'000s (unless otherwise stated)	1H17	1H16
Statutory net profit	$8,304	$19,873
FFO	$14,214	$10,490
FFO - cents per security	9.8	8.5
Distribution	$13,049	$9,226
Distribution – cents per security	8.0	7.5
FFO payout ratio	82%	88%
Tax deferred component of distribution	38.7%	38.2%

	1H17	FY16
Gearing	35.3%	33.1%
Net Tangible Assets	$2.08	$2.12

$2.05 NTA post WesTrac Newcastle September 2016

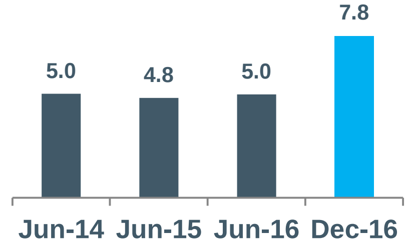
02 Portfolio performance

Active portfolio management

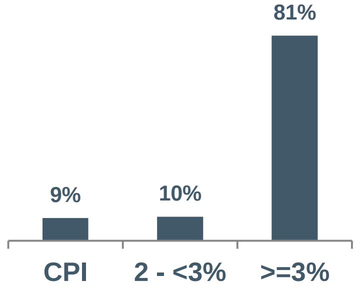
- WesTrac Newcastle acquisition transformed the portfolio:
  - Initial yield of 7.25% underpins portfolio cash generation
  - WALE of 18 years boosted portfolio average to 7.8 years
- Another strong leasing performance – with ~3,600 sqm of vacancy leased and ~14,000 sqm of renewals completed
- Average incentive of 14% on leasing deals

WesTrac Newcastle – 1 – 3 WesTrac Dr, Tomago

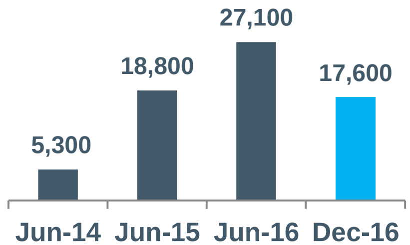
Strong WALE



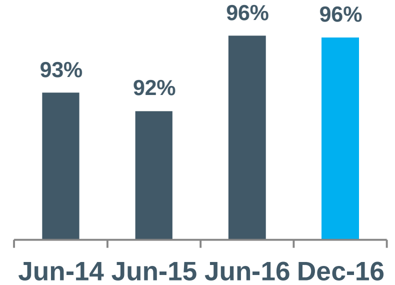
Generating organic growth



Delivering leasing outcomes



High occupancy



Rhodes – converting enquiry

- Challenges with rent affordability has become a major issue – and we are seeing good enquiry from the CBD
- Furthermore, stock withdrawal for resi is driving demand particularly from small to mid-sized users
- Terms agreed over ~1,800sqm on Level 4 Building C:
    - Positive outlook on remaining 2 suites totalling ~1,700sqm

Key near-term expiries			
	Tenant	**Area**	**Expiry**
Part 4th floor, Rhodes C	NAB	1,290	Dec'16

Vacancies	
	Area
Part Ground Floor, Rhodes C	779
Part 1st floor, Rhodes C	929
Part 4th floor, Rhodes C	555

Agreed terms to lease level 4

Frasers Property Group – levels 2 and 3, Building C, Rhodes

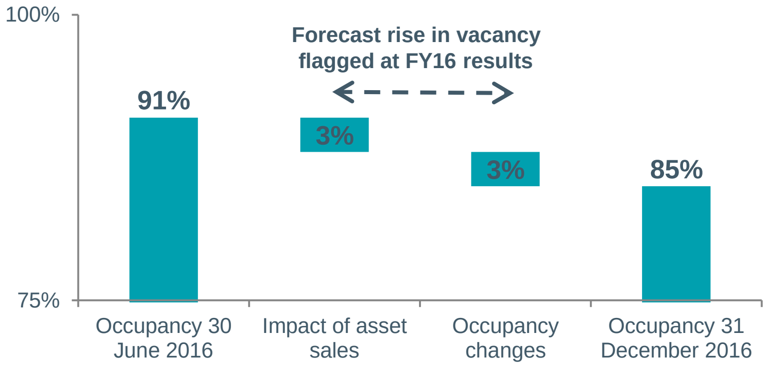
Building A, Rhodes

Building C, Rhodes

BTP – creating a point of difference to outperform

- Investing in tenant engagement strategies to create tangible benefits for being an Industria tenant:
  - Delivering services that are exclusive to Industria tenants
  - Leveraging on-site property management – unique Industria at BTP
- Leased ~2,300 sqm of vacancy
- Johnson & Johnson will vacate 9 McKechnie Dr in April – flexible fit out in-place will assist re-leasing campaign, although we are conservative on lease-up timing

Occupancy impacted by asset sales



Key near-term expiries

Building	Tenant	Area	Expiry
8 Clunies Ross Court	BGC Contracting	743	Mar'17
9 McKechnie Dr	Johnson & Johnson	2,094	Apr'17
7 Clunies Ross Court	BTP Services	1,641	Apr'17
37 Brandl St	Markinson	509	Jul'17
37 Brandl St	Silanna	655	Sep'17

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

12 Electronic St, BTP

37 Brandl Street, BTP

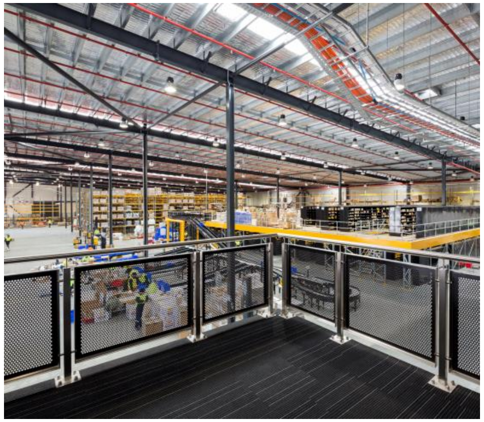
9 McKechnie Drive, BTP

Industrial – performing strongly

- Active period at Butler Bv, Adelaide – leasing ~1,300 sqm to a short-term tenant; renewed and Miele over an expanded ~3,700 sqm and agreed terms on additional ~1,300 sqm
- Early renewal agreed with Shriro – 10,000 sqm tenant at South Park Drive, Dandenong South – extending expiry from February 2019 to February 2024
- Integrated WesTrac Newcastle:
  - Best-in-class facility completed in 2012 – and designed and built for a 50+ year life
  - 42.9 hectares including 45,500 sqm of 12 purpose built, interconnected facilities, ancillary buildings and hardstand areas
  - Attractive initial yield of 7.25% growing at 3% per annum[1]
  - 18 year triple-net lease to WesTrac

Key near-term expiries

Building	Tenant	Area (sqm)	Expiry
Butler Bv, Adelaide: Unit A	Short-term tenant	1,298	Mar '17
Butler Bv, Adelaide: Unit E	Bayer	2,253	May '17
Butler Bv, Adelaide: Unit B	Celtic Industries	1,365	Aug '17
Butler Bv, Adelaide: Unit D	Miele	2,740	Oct '17


Parts and Distribution Warehouse

Component Rebuild Centre

1-3 WesTrac Drive, Tomago

1. Rent increases at the greater of 3% or CPI per annum

Valuations and book values

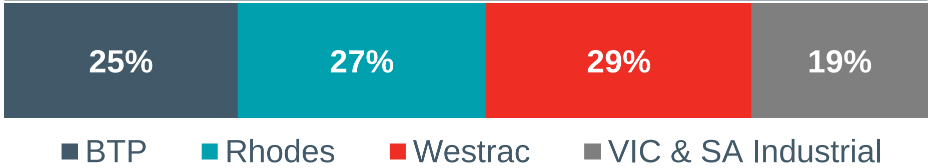
- 66% of portfolio has been valued in June and December 2016 – with 16% valued this period
- $3.4 million uplift from industrial assets:
  - 80 – 96 South Park Dr (+$1.3m) – after leasing de-risked expiry profile
  - 34 Australis Dr and 89 West Park Dr (+$2.1m) – driven by market cap rate compression of 25 basis points
- Two office properties valued – with flat outcome:
  - 18 Brandl St (+$0.2m) – leasing improved occupancy to 76%
  - 37 Brandl St (-$0.2m) – near term expiry risk to be resolved
- Portfolio mix distributed evenly between office and industrial – and we continue to be opportunistic and selective regarding acquisitions and disposals

Valuations

Property	Book Value	Reval Gain / (Loss)	Cap rate / Cap rate change
Independent valuation outcomes			
34 Australis Dr	25.3	1.3 / 5.4%	6.75% / (0.25%)
89 West Park Dr	18.2	0.8 / 4.7%	6.75% / (0.25%)
80-96 South Park Dr	21.5	1.3 / 6.2%	6.75% / (0.50%)
18 Brandl St	11.7	0.2 / 1.8%	8.75% / 0.25%
37 Brandl St	13.0	(0.2) / (1.3%)	8.25% / (0.50%)
Remainder of portfolio			
Office	199	-	7.5%
Industrial	263	-	7.5%
Portfolio	**$552m**	**$3.4m / 0.6%**	**7.5%**

Portfolio weighted average cap rate

Portfolio composition



03 Capital Management

Refinance enhancing debt maturity profile

Debt in middle of target band of 30 – 40%

- ~$32 million of asset sales in mid-2016 provided additional capacity ahead of WesTrac Newcastle equity raise
- Debt drawn of $198m - gearing 35%

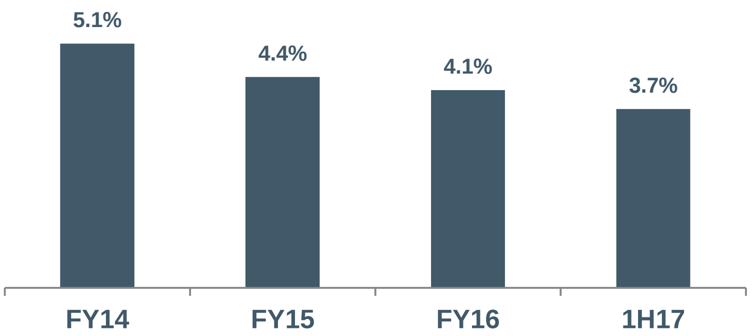
High interest cover

- ICR 6.3x; weighted average cost of debt 3.7%
- 51% of debt hedged for FY17 at average hedge rate of ~2.8%

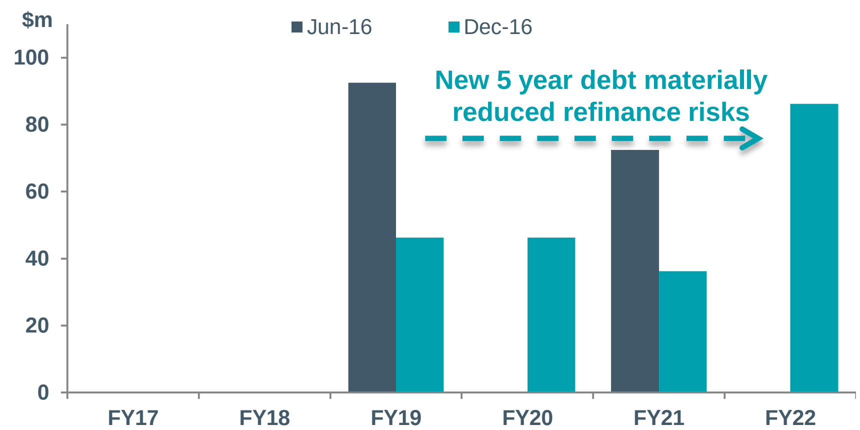
Increased weighted average debt maturity

- New five-year debt facility and part re-finance of three year facility increased debt maturity to 3.6 years:
    - Nearest debt maturity ~$46m in December 2018

Weighted average interest cost



Staggered and extended debt maturity profile



04 Market overview

Market overview

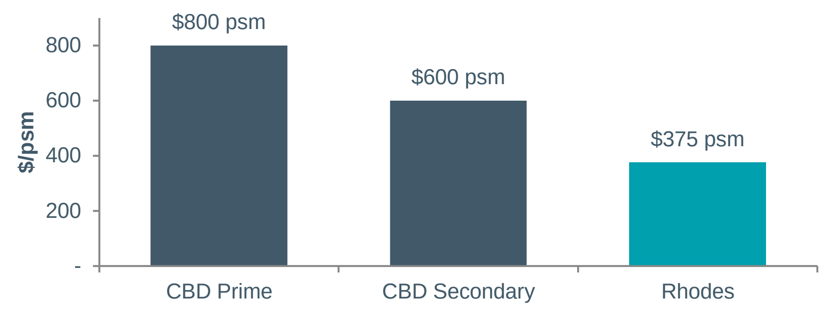
Rental spreads between Sydney CBD and suburban markets are unsustainable

- At ~$800psm gross, Sydney CBD rents have become highly unaffordable
- Scope for rent at Rhodes to grow whilst still being affordable at <$400psm gross effective:
  - Significantly attractive for businesses with mobile workforces and clients outside the CBD

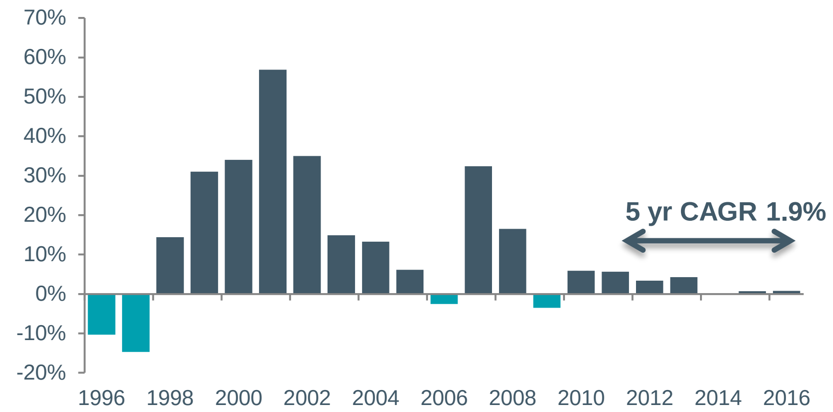
Profit growth is poor for white collar sectors – and cost remains a high priority

- Ongoing focus on input costs – transport and real estate in particular:
  - Reinforces value of location
- Emphasises importance of maintaining a dialogue with tenants throughout the lease to create win-win situations

Market rent profiles (gross effective)[1]



White Collar sector – Gross Operating Profit growth[2]



Dynamics underpin relevance of Industria's portfolio and strategy – owning quality and affordable real estate to generate sustainable income returns

1. JLL, APN Property Group
2. Australian Bureau of Statistics

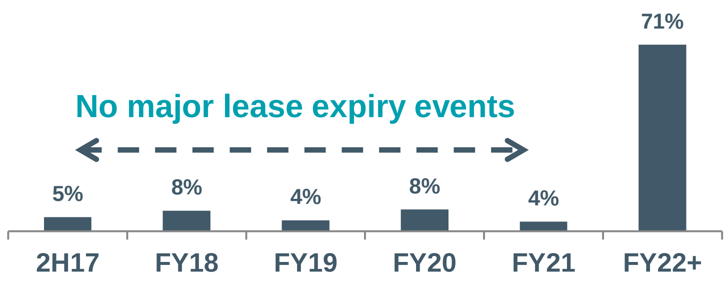
05 Outlook

Summary and outlook

Generating sustainable returns by investing in quality and affordable workspaces

- Portfolio is well positioned – and our active engagement with tenants is generating results and reducing downtime
- Gearing at 35% provides flexibility to pursue potential acquisitions – and a highly disciplined and selective approach to opportunities will continue
- Growth into FY18 supported by average fixed uplifts of ~3% across the portfolio in addition to terms agreed over ~3,200 square metres in early 2017:
  - Good visibility over ~50% FY18 expiries and expect high tenant retention levels
- Previously upgraded FY17 guidance re-iterated:
  - FFO 17.9 – 18.1 cents per security – 2 to 3% growth on FY16
  - DPS 16.0 cents per security
  - Subject to current market conditions continuing and no unforeseen events

Lease expiry profile (by income)



Appendix A
Property portfolio

Portfolio details as at 31 December 2016

Property	State	Ownership	Sector	Book Value ($m)	Cap Rate (%)	NLA (sqm)	Occupancy (by area)	WALE (by area)
1-3 Westrac Drive, Newcastle	NSW	100%	Industrial	158.6	7.25%	45,474	100%	17.7 yrs
140 Sharps Rd, Tullamarine	VIC	100%	Industrial	13.5	8.25%	10,508	100%	5.7 yrs
32-40 Garden Street, Kilsyth	VIC	100%	Industrial	14.7	7.25%	10,647	100%	8.0 yrs
34 Australis Drive, Derrimut	VIC	100%	Industrial	25.3	6.75%	25,243	100%	5.9 yrs
80-96 South Park Drive, Dandenong South	VIC	100%	Industrial	21.5	6.75%	20,245	100%	7.1 yrs
89 West Park Drive. Derrimut	VIC	100%	Industrial	18.2	6.75%	17,024	100%	5.7 yrs
5 Butler Boulevard, Adelaide Airport	SA	100%	Industrial	12.5	9.75%	12,258	100%	1.1 yrs
Building A, Rhodes	NSW	100%	Bus Park	89.8	7.00%	14,641	100%	4.2 yrs
Building C, Rhodes	NSW	100%	Bus Park	58.8	7.25%	10,582	79%	3.4 yrs
18 Brandl Street, BTP	QLD	100%	Bus Park	11.7	8.75%	4,174	76%	2.4 yrs
37 Brandl Street, BTP	QLD	100%	Bus Park	13.0	8.25%	3,329	100%	0.9 yrs
7 Clunies Ross Court and 17–19 McKechnie Drive, BTP	QLD	100%	Bus Park	39.0	8.00%	8,877	100%	6.7 yrs
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	100%	Bus Park	21.4	8.25%	5,704	86%	1.0 yrs
88 Brandl Street, BTP	QLD	100%	Bus Park	13.5	8.50%	3,006	48%	1.5 yrs
BTP Central, BTP	QLD	100%	Bus Park	41.0	8.05%	7,782	81%	2.4 yrs
Portfolio				**552.3**	**7.5%**	**199,493**	**96%**	**7.8 yrs**

Appendix B

Financial information

Balance Sheet

	Dec-16 $'000s	Jun-16 $'000s
Assets		
Cash and cash equivalents	2,818	1,607
Trade and other receivables	2,500	2,021
Other current assets	538	355
Assets held for resale	-	31,724
Total current assets	**5,856**	**35,707**
Investment properties	552,340	386,139
Total non-current assets	**552,340**	**386,139**
Total assets	**558,196**	**421,846**
Liabilities		
Trade payables and other provisions	(3,554)	(4,967)
Derivative instruments	(2,380)	(1,042)
Distribution payable	(13,049)	(9,842)
Total current liabilities	**(18,983)**	**(15,851)**
Trade and other payables	(242)	(240)
Derivative instruments	-	(3,266)
Long-term borrowings[1]	(197,068)	(139,263)
Deferred tax liability	(2,833)	(2,069)
Total non-current liabilities	**(200,143)**	**(144,838)**
Total liabilities	**(219,126)**	**(160,689)**
Net assets	**339,070**	**261,157**
Number of Securities (millions)	163.1	123.0
NTA per Security ($)	2.08	2.12

[1] Borrowings are net of capitalised debt establishment costs of $840k (Jun-16: $847k)

Profit and Loss Statement

	1H17	1H16
	$'000	$'000
Income		
Net rental income (including straight lining adjustments)	22,468	19,330
Other income	-	41
Total revenue	**22,468**	**19,371**
Expenses		
Property costs	(4,688)	(5,191)
Fund Operating costs	(1,682)	(1,432)
Total expenses	**(6,370)**	**(6,623)**
Net operating income (EBIT)	**16,098**	**12,748**
Net gain in fair value adjustments on investment properties	(5,800)	9,483
Unrealised loss on mark to market of interest rate swaps	1,929	(74)
Net interest expense	(3,053)	(2,956)
Net income before tax	**9,174**	**19,201**
Income tax – deferred	(870)	672
Net profit after tax	**8,304**	**19,873**

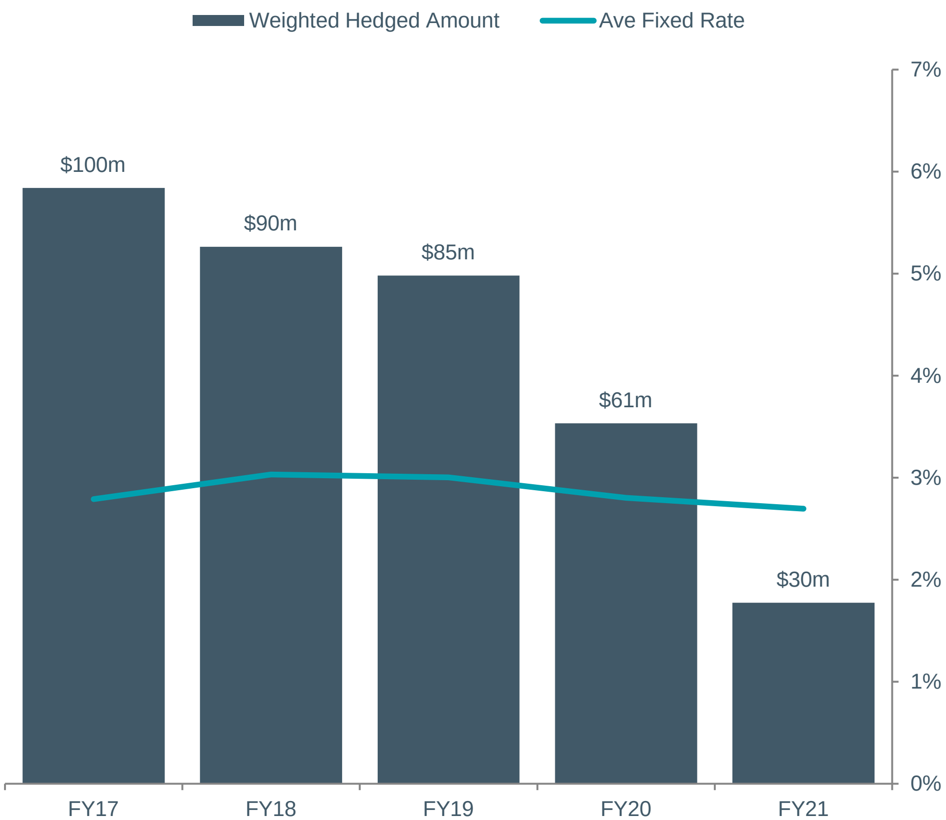
Distribution reconciliation

	1H17	1H16
	$'000	$'000
Total comprehensive income for the financial year	8,304	19,873
Adjusted for:		
Reverse straight lining of rent	(574)	(395)
Reverse deferred tax	870	(672)
Add back amortised leasing incentives and costs	1,584[1]	953
Add back amortised borrowing costs	159	140
Reverse fair value gain on investment properties	5,800	(9,483)
Add back fair value loss on derivatives	(1,929)	74
FFO	**14,214**	**10,490**
Distribution	**13,049**	**9,226**
Weighted securities on issue (millions)	145.7	123.2
Payout ratio (Distribution / FFO)	82.0%	88.0%
Distribution per Security (cents per Security)	8.0	7.5
FFO (cents per Security)	9.8	8.5

[1] Includes a lease incentive amortisation expense of $0.2 million arising as a result of the expected early exercise of a tenant lease break option. This amount is one-off in nature, reducing comprehensive income and therefore increasing the amortised leasing incentives and costs adjustment when calculating FFO for the period. It should be noted that this amount will not be repeated in 2H17 and therefore should be excluded for the purposes of extrapolating an annual amortised leasing incentives and costs expense.

Hedging and tenant mix

Interest Rate Hedging Profile



Top 10 Tenants

Tenant	% Income
WesTrac	25%
Link Market Services	12%
Interactive Pty Ltd	4%
Mitre 10	4%
AAE Retail	4%
Frasers Property	4%
QLD Health	3%
RFS (Alcatel-Lucent)	3%
NAB	3%
Dempsey Group	3%
Top 10 Tenants	**65%**
Other	35%
Total	**100%**

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