



Industria Trust No. 1 ARSN 125 862 875
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Industria Trust No. 3 ARSN 166 150 938
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Responsible Entity

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ASX ANNOUNCEMENT (ASX code: IDR)

23 August 2017

FY2017 Results – Strong valuation and income growth from asset management outperformance

- FFO 18.1 cents per security – 3.4% increase on pcp, the top of the upgraded guidance range
- 23.6% NTA growth (\$2.57 per security), with valuations reflecting leasing outcomes ahead of expectations and investor demand for quality assets
- Enhanced customer focus and portfolio management initiatives delivering 24,400 sqm new leasing
- Weighted average lease expiry of 7.6 years, one of the longest in the sector
- Clear and simple focus on generating sustainable income returns and capital growth by providing well located and attractively priced workspaces for business
- FY18 guidance of 2 – 3% FFO growth on FY17, with opportunities to outperform during the period
- FY18 DPS guidance of 16.5 cps, growth of 3.1%

APN Funds Management Limited, as Responsible Entity for Industria REIT, today announced the results for the financial year ending 30 June 2017. Net profit attributable to security holders increased \$70.3 million to \$101.6 million, largely due to uplifts from investment property valuations.

Funds From Operations (FFO) was \$27.9 million – up \$6.4 million (29.6%) on the previous corresponding period (pcp), largely due to the acquisition of WesTrac Newcastle in September 2016.

Net Tangible Assets (NTA) total \$419.4 million, equating to \$2.57 per security – up 49 cents per security (23.6%) on 31 December 2016.

Alex Abell, Industria's Fund Manager commented, "Financial year 2017 has produced a strong set of numbers – sector leading NTA growth of 24%, FFO growth of 3.4%, the top of the previously upgraded guidance range, and 24,400 square metres of leasing ensuring a long weighted average lease expiry of 7.6 years. The balance sheet has been bolstered by \$85 million of valuation gains at 30 June 2017, and that has reduced gearing to 30.8%, providing capacity for further growth should opportunities arise. Critical to these outcomes has been our focus on the customer – improving our understanding and targeting our efforts to exceed their current and future requirements – an approach which will underpin success over the long term through maximising the potential of the Industria portfolio."

Property Portfolio

The 24,400 square metres leasing completed during the period positions the portfolio strongly – with 95% occupancy and less than 10% of income expiring in the next two financial years. Leasing progress was excellent across the portfolio, with particularly strong progress at Rhodes in Sydney, Butler Boulevard in Adelaide, and Brisbane Technology Park (BTP):

- Rhodes, Sydney – 3,460 sqm leased to facilitate the expansion of two existing tenants, with a further 780 sqm leased post 30 June 2017
- Butler Boulevard, Adelaide – 3 deals and 6,370 sqm leased
- 80 – 96 South Park Drive, Melbourne – 10,000 sqm renewal, removing Industria's largest FY19 expiry
- BTP – 4,500 sqm leased with the variety of Industria's workspaces on offer underpinning deals ranging from 22 to 1,700 sqm

Key near-term opportunities include completing leases over 1,000 sqm of space at Rhodes that will increase occupancy to 97%. Encouraging activity continues at BTP where Industria's scale and on-the-ground

resources are delivering competitive advantages in terms of occupancy and rent outperformance over the long term.

Our most recent tenant-focused value add initiative is the \$1.6 million investment to install 1 megawatt of solar power capacity across six of Industria's buildings at BTP. This will reduce the volatility of energy costs for our tenants by producing approximately 40% of their energy needs, whilst also generating a 15% annual yield on cost for Industria securityholders. This initiative may be extended elsewhere in the portfolio.

David Avery, Senior Portfolio Manager for Industria REIT, said: "Momentum continues to build across the portfolio as we leverage our relationships with tenants. Our success is highlighted by the 24,400 square metres of leasing that has created value by securing cash flows well into the future."

All properties in the Industria REIT portfolio were independently valued as at 30 June 2017. This process was undertaken following a review by the Responsible Entity of subsequent market evidence and transactions that indicated the portfolio may have increased in value. The outcome of the independent valuations was a material increase in the carrying value of the portfolio to \$638.0 million.

Excluding WesTrac Newcastle, approximately 50% of the valuation uplift – or \$31 million – was attributable to leasing outcomes ahead of expectations. Valuation highlights included:

- Rhodes Corporate Park, building A and C – increased in value by \$43.1 million following the lease-up of vacancy from 80% to 95%, and evidence of strong investor demand for high quality properties
- Brisbane Technology Park – increased on-the-ground asset management resourcing contributed to better than anticipated leasing outcomes and a \$10.0 million uplift
- WesTrac Newcastle – increased in value by \$25.4 million as the cap rate compressed to 6.25%
- Industrial properties in Melbourne and Adelaide – increased in value by \$6.4 million, from equally improved market rents and cap rates.

"The uplift in value of WesTrac Newcastle by \$25 million is a rewarding outcome for our loyal securityholders who supported Industria's equity raise. The other pleasing aspect of the valuations is the \$31 million attributable to leasing, a testament to our team's focus on performance," said Industria's Fund Manager, Alex Abell.

Capital Management

Gearing at 30 June 2017 was 30.8%, the bottom of the target band of 30 – 40%, and the weighted average cost of debt over the period was 3.6%. Interest cover was at 6.0x.

The strength of the balance sheet provides management with the flexibility of utilising undrawn debt lines to move quickly where attractive acquisition opportunities arise. If and when this was to arise, it is likely that acquisitions would be earnings accretive immediately due to the spread between Industria's cost of debt and income yields. However, earnings accretion is only one of many considerations when considering acquisitions – and management remain disciplined when assessing assets and the credit quality of tenants.

Alex Abell commented, "We have been active managers of Industria's capital and we have significant capacity to invest to grow earnings per security from here. This may be through selective acquisitions using part of Industria's \$70 million of debt capacity to the upper end of its gearing range, or other capital management initiatives."

The weighted average debt maturity is 3.1 years, with 4 staggered maturities ranging from \$36 to \$86 million. Opportunities to further enhance and diversify Industria REITs debt facilities continue to be explored. Institutional term loans for example, provide longer tenor and facility certainty for Industria's securityholders.

Overview and outlook

Industria REIT has a consistently stated strategy of owning a portfolio that provides workspaces for business that are well located and attractively priced. Combining high quality assets with a highly active approach to management underpins the ability to generate sustainable income and capital returns through the cycle.

The portfolio is well positioned moving into FY18. Lease expiries are limited to 6% of the portfolio's income; and the portfolio benefits from fixed annual rental increases averaging 3%.

Full year guidance for FY18 is for FFO of 18.4 – 18.6 per security – growth of 2 to 3% over FY17. Distributions per security are forecast at 16.5 cents which will now be paid to investors quarterly. This guidance is subject to:

- Current market conditions continuing and no unforeseen events; and
- Assumes no acquisitions, which would likely result in immediate FFO and DPS accretion

ENDS

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About Industria REIT

Industria (ASX code: IDR) is a listed Australian real estate investment trust which owns interests in office and industrial properties that provide functional and affordable workspaces for business. Industria's \$638 million portfolio of 21 properties located across the major Australian cities provides sustainable income and capital growth prospects for security holders over the long term. Industria has a target gearing band of 30 – 40%, providing flexibility for future growth without compromising the low-risk approach to capital management. Industria is managed by APN Property Group, a specialist real estate investment manager established in 1996, and governed by a majority independent Board.

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