

19 February 2018

**1H18 Results – FFO \$14.8 million: Operational excellence driving leasing outperformance****Highlights**

- Funds From Operations (FFO) in line with expectations at \$14.8 million, up \$0.6 million on pcp, and on track to deliver FY18 guidance of 2 – 3% growth
- Operational excellence and focus on tenant engagement underpinning 10,400 square metres of leasing – led by 5,700 square metres at Brisbane Technology Park
- Weighted average lease expiry of 7.3 years, one of the longest in the sector
- FY18 Distribution Per Security (DPS) guidance of 16.5 cps, growth of 3.1% on pcp

**Financial Results**

Net profit attributable to security holders for the six months ending 31 December 2017 was \$13.8 million, up \$5.5 million on the prior corresponding period (pcp), primarily due to higher income from WesTrac Newcastle and lower expenses.

FFO was in line with expectations at \$14.8 million, up \$0.6 million on pcp; however on a per security basis FFO declined from 9.8 cents to 9.1 cents due to the higher number of securities on issue, and a favourable profit skew in the pcp. The profit skew is not anticipated to impact the FY18 result and guidance is reiterated at 18.4 – 18.6 cents per security.

Net Tangible Assets (NTA) total \$419.1 million, equating to \$2.57 per security, in line with the prior period. The portfolio was independently valued in its entirety at 30 June 2017, and in accordance to the valuation policy, Director valuations were undertaken to confirm the carrying value as at 31 December 2017.

Alex Abell, Industria's Fund Manager said: "Another positive result that builds on our reputation of delivering for our investors, and we're on track for 2 – 3% FFO growth for FY18. Client focus and engagement has been a constant for our team, and leasing traction has reduced income expiring over the next 18 months to 5%. Industria's position is further strengthened by its conservative balance sheet, with 32.2% gearing – the lower end of the target band of 30 – 40%, providing capacity to grow should attractive opportunities arise."

**Property Portfolio**

10,400 square metres of leasing was completed during the period, ensuring occupancy remained high at 95%, and the weighted average lease expiry (WALE) remained one of the longest in the sector at 7.3 years. Leasing highlights included 22 deals across 10 properties, including:

- 37 Brandl St, BTP – 1,160 square metres leased
- 8 Clunies Ross Court, BTP – 1,160 square metres leased
- 18 Brandl St, BTP – 1,070 square metres leased
- Rhodes, Sydney – 1,620 square metres leased, including lease-up of 1,220 of vacancy and renewing a near-term expiry
- Butler Boulevard, Adelaide – 3,000 square metres leased, including lease-up of Unit A and renewing Unit C

Leasing outcomes were particularly encouraging at Brisbane Technology Park (BTP). Industria REIT is the largest owner of workspaces at BTP, and the scale and on-the-ground presence delivers competitive advantages that result in higher occupancy and rent outperformance over the long term. Over 5,700 square metres of leasing was completed, evidence the approach is gaining momentum and clearly delivering results.

BTP is also benefiting from increasing government spending on infrastructure, with new entrants into the portfolio building on the precincts reputation as a key knowledge hub for certain industries, including infrastructure, health care and IT.

Progress continued at Rhodes, with leasing ahead of valuation expectations improving occupancy to 98%.

During the period 3,000 square metres of leasing was completed at 5 Butler Boulevard, Adelaide Airport. There are very limited expiries across the industrial assets in the portfolio, with only 4,200 square metres of expiries remaining over the next 24 months – less than 3% of Industria's 140,000 square metre portfolio.

David Avery, Senior Portfolio Manager for Industria REIT, said: "It's been another active period of leasing whereby we have maintained high occupancy of 95% and a 7.3 year weighted average lease expiry. Outcomes at Brisbane Technology Park remain positive – renewing a quarter of our tenants in a 6 month period – an endorsement of the quality of the assets and our proactive and consultative approach."

### **Overview and outlook**

Industria's portfolio provides workspaces for business that are well located and attractively priced. Recent transactions for well leased, well located portfolios across the industrial, data centre and office sectors illustrate the strong demand and aggressive pricing in the current market. Combining the physical characteristics with a progressive and flexible management approach that engages early and often with tenants to enhance occupancy through-the-cycle underpins performance, and the security of the future dividend.

Gearing remains low at 32.2%, providing the flexibility to pursue potential acquisition opportunities within the target range of 30 – 40%, although the highly disciplined and selective approach to opportunities will continue. This approach is consistent with the active approach to managing the existing portfolio, which is high quality and has high-levels of income visibility with low expiry risks and organic rental increases averaging 3% across the portfolio.

Full year FFO guidance of 18.4 – 18.6 cents per security, representing 2 – 3% growth over FY17, is reiterated. Guidance is subject to current market conditions continuing and no unforeseen events.

**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 \$640 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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