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13 May 2019

Melbourne industrial portfolio acquisition and equity raising

APN Industria REIT (**Industria**) is pleased to announce the acquisition of four industrial warehouses in Knoxfield and Kilsyth, two tightly held and land constrained markets in Melbourne Victoria, for \$38.25 million (excluding transaction costs) (the **Acquisitions**).

The portfolio is 100% leased with a 4.0 year weighted average lease expiry (**WALE**), providing opportunities to add value and generating an initial yield of 6.3%.

The Acquisitions and associated transactional costs will be funded with a combination of debt and equity, as follows:

- A fully underwritten \$30 million institutional placement (**Placement**), and a non-underwritten security purchase plan (**SPP**) to eligible securityholders¹ in Australia and New Zealand, expected to raise up to \$5 million². The Placement and SPP will be at an issue price of \$2.73 per new stapled security (**New Security**); and
- The remaining costs will be funded with 5 year bank debt following a loan increase and term extension.

Portfolio details

The portfolio comprises four warehouses that range in size from approximately 6,100 square metres to 11,900 square metres and provides functional and flexible workspaces. The tenants of the properties have an established presence built over an extended period of time, and include B&D Australia (subsidiary of the ASX-listed entity DuluxGroup), Australian Glass Group (subsidiary of ASX-listed Metro Performance Glass), and SJ Display Group (Melbourne based global retail display solution designer and manufacturer).

The key highlights include:

- Increased exposure to the industrial asset class in the tightly held and land constrained markets in the east of Melbourne. These locations are particularly popular for small to medium sized businesses, which value access to a well established and skilled workforce in close proximity;
- Attractive initial yield of 6.3%, underpinned by a 4.0 year WALE and 100% occupancy; and
- Provide opportunity to implement multiple value add initiatives to increase building performance and efficiency, drive rental growth and improve lease terms.

¹ Eligible securityholders are holders of existing Industria securities as at 7.00pm (Melbourne time) on Friday 10 May 2019, with a registered address in Australia and New Zealand and are not in the United States and are not acting for the account or benefit of a person in the United States (**Eligible Securityholders**).

² Industria may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

Property details are outlined below:

Property	Valuation	Capitalisation rate	Occupancy	WALE	Tenant
81 Rushdale Street, Knoxfield VIC	\$9.10 million	6.50%	100%	1.6	Metro Performance Glass
3 Forbes Close, Knoxfield VIC	\$9.00 million	5.75%	100%	6.6	SJ Display Group
4 Forbes Close, Knoxfield VIC	\$10.65 million	5.75%	100%	6.6	SJ Display Group
147-153 Canterbury Road, Kilsyth VIC	\$9.50 million	7.25%	100%	2.6	B&D Australia

Commenting on the transaction, Alex Abell, APN Industria REIT Fund Manager said: “These Acquisitions build on our track record of acquiring assets that provide income with the ability to add value and reward our investors over the long term. Strategically they are popular markets in the east of Melbourne that feature limited new supply, high underlying land values, and strong demand from businesses seeking to leverage the resident population in the surrounding areas. From a financial perspective, the portfolio benefits from a growing initial yield of 6.3%, and affords us opportunities to unlock value by improving building performance with initiatives such as solar to reduce outgoings and drive rental growth from a relatively low base.”

“Financing the Acquisitions with equity provides us with the opportunity to broaden the investor base, improving the scale and liquidity of APN Industria REIT, whilst also ensuring our balance sheet remains conservatively geared at approximately 33%, which is towards the bottom of our 30 – 40% target range.”

Settlement for the portfolio is scheduled for late May 2019.

Portfolio impact

	Pre-Acquisitions	Acquisitions	Post-Acquisitions
Number of assets	24	4	28
Portfolio valuation (\$m)	691.8	38.3	730.0
Weighted average capitalisation rate	6.54%	6.30%	6.53%
Occupancy	96%	100%	97%
WALE (years)	6.2	4.0	6.1
NLA (sqm)	220,333 ³	30,629	250,962

Placement

Industria will undertake a fully underwritten \$30 million Placement of New Securities in Industria to partially fund the Acquisitions and associated transaction costs. The Placement is fully underwritten by UBS AG, Australia Branch.

The New Securities to be issued under the Placement will be issued at a fixed price of \$2.73 per New Security, which represents a:

- 2.8% discount to the last close price of \$2.81 on 13 May 2019;
- 3.3% discount to the 5 day VWAP of \$2.82 on 13 May 2019; and
- 6.2% FY19 distribution yield.

³ As at 31 December 2018

New Securities issued under the Placement will rank equally with existing Industria securities and will be entitled to the full distribution for the quarter ending 30 June 2019, expected to be 4.25 cents per security. The Placement is within Industria's placement capacity under ASX listing rule 7.1 and securityholder approval is not required.

Security purchase plan

Eligible Securityholders in Australia and New Zealand will be invited to subscribe for up to \$15,000 of New Securities, free of brokerage and transaction costs, via an SPP. The New Securities to be issued under the SPP will be offered at the same price as the New Securities to be issued under the Placement, \$2.73 per New Security. The SPP will not be underwritten and is expected to raise up to \$5 million⁴. New Securities issued under the SPP will rank equally with existing Industria securities and will be fully entitled to the distribution for the quarter ending 30 June 2019, expected to be 4.25 cents per security.

Further information on the SPP will be lodged with the ASX and sent to Eligible Securityholders on or around Monday, 20 May 2019.

Financial impact

Including the impact of the Acquisitions and Placement and subject to market conditions and no unforeseen events, Industria expects:

- FY19 FFO of 19.15 – 19.25 cents per security, at the top of end of the previous guidance range and reflecting 3.5 – 4.0% growth;
- FY19 DPS guidance of 17.0 cents per security, in line with previous guidance; and
- Preliminary FY20 FFO per security growth guidance of 2.5 – 3.0%.

Industria's pro-forma gearing as at 31 December 2018 including the impact of the Acquisitions and Placement is forecast to be approximately 33%, towards the bottom end of its 30 – 40% target gearing range.

Timetable

Event	Date (2019)
Record date for SPP	7.00pm, Friday, 10 May
Announcement of the Acquisitions and Placement	Monday, 13 May
Placement bookbuild	Monday, 13 May
Settlement of New Securities under the Placement	Thursday, 16 May
Allotment and normal trading of New Securities issued under the Placement	Friday, 17 May
SPP offer opens and booklet is dispatched	Monday, 20 May
SPP offer closes	5.00pm, Tuesday, 11 June
SPP allotment date	Tuesday, 18 June
Dispatch of holding statements and normal trading of New Securities issued under the SPP	Wednesday, 19 June

All dates and times are indicative only and subject to change. Subject to the requirements of the *Corporations Act 2001* (Cth), ASX Listing Rules and any other applicable laws, Industria reserves the right to amend this timetable at any time. Unless otherwise specified, all times and dates refer to Melbourne time.

⁴ Industria may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

Additional information

Additional information about the Acquisitions, the Placement and SPP including certain key risks are contained in the investor presentation released to the ASX today.

ENDS

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About APN Industria REIT

APN Industria REIT ('Industria') (ASX code: ADI) 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 \$730 million portfolio of 28 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 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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