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20 November 2019

Epping, Victoria acquisition and equity raising

APN Industria REIT (**Industria**) is pleased to announce it has entered into a heads of agreement to acquire 350 – 356 Cooper Street, Epping, Victoria, for \$28.8 million (excluding transaction costs) (the **Acquisition**).

The property is a strategic Commercial Zone 2 site spanning 2.3 hectares, located on a key arterial road with 6 million vehicle movements per annum, in one of Melbourne's strongest population growth areas. It benefits from a remaining lease term of 7.6 years¹ and annual 3% rent reviews. There is also a market rent review in July 2022, which is anticipated to deliver significant upside that will support Industria's medium-term growth. The purchase price represents a capitalisation rate of 6.0%.

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

- A fully underwritten \$27 million institutional placement (**Placement**) at an issue price of \$2.88 per new stapled security (**New Security**); and
- The remaining Acquisition and associated transaction costs will be funded by drawing on existing bank debt facilities and cash reserves.

Industria will also undertake a non-underwritten security purchase plan (**SPP**) to eligible securityholders² in Australia and New Zealand, expected to raise up to \$5 million³ at the same issue price as the Placement.

Asset details

The asset comprises an 8,088 square metre Ford and Volkswagen service and sales dealership with modern buildings constructed in 2010 and 2017 featuring office, warehouse and showroom facilities. The site coverage is 35%, providing the potential for future development and value-add.

The high-performing facility is leased to Autopact, one of Australia's largest dealership groups that generated revenue of over \$1.2 billion in FY19. The layout and design of the buildings is geared towards outstanding customer experiences and maintenance, and this is one of the reasons the site is one of Australia's largest dealership groups.

Trading update

Continued active asset management has seen the delivery of over 3,900 square metres of leasing and an agreement for lease for a new childcare facility at Brisbane Technology Park. A further ~6,100 square metres has been agreed across the industrial portfolio.

¹ As at 31 October 2019.

² Eligible securityholders are holders of existing Industria securities as at 7:00pm (Melbourne time) on Tuesday, 19 November 2019 with a registered address in Australia and New Zealand who are not in the United States and are not acting for the account or benefit of a person in the United States (**Eligible Securityholders**).

³ 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.

During FY20, solar generation across Industria's assets is expected to increase by 1 megawatt to 2.8 megawatts as opportunities are captured to work with tenants to reduce gross occupancy costs, building emissions, and increase the resilience of the portfolio.

Commenting on the transaction and activity across the portfolio, Alex Abell, APN Industria REIT Fund Manager said: "We have continued to remain patient and seek out opportunities that generate income to support the growth of the portfolio over the long term. This property is located in a corridor of Melbourne with forecast population growth of 17,000 per annum to 2030; is opposite the Melbourne wholesale fruit and vegetable markets – where more than 5,000 businesses trade produce daily; and is 2.3 hectares of land that includes almost 200 metres of prime street frontage on Cooper Street. These are all outstanding real estate fundamentals that we see underpinning the long term performance of this property."

"Funding the Acquisition with equity will broaden the investor base, improve the scale and liquidity of Industria, and provide additional capacity for anticipated value-add capex initiatives – which will be approximately \$10 million over the next 12 months, and are anticipated to generate additional income equivalent to a 7.5% return on cost."

Portfolio impact

	30 Jun 19	31 Oct 19 ⁴	Post Acquisition
Number of assets	28	30	31
Portfolio value (\$m)	739	769	798
Weighted average capitalisation rate	6.5%	6.5%	6.5%
Occupancy	97%	97%	97%
WALE (years)	6.1	5.7	5.8
NLA (sqm) ⁵	250,991	263,047	271,135

Placement

Industria will undertake a \$27 million Placement of New Securities in Industria to partially fund the Acquisition, with the remaining Acquisition and associated transaction costs being funded by drawing on existing bank facilities and cash reserves. The Placement is fully underwritten.

The New Securities to be issued under the Placement will be issued at a fixed price of \$2.88 per New Security, which represents a:

- 3.0% discount to the last close price of \$2.97 on 20 November 2019;
- 2.9% discount to the 5 day VWAP of \$2.97 on 20 November 2019; and
- 6.1% FY20 distribution yield.

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 31 December 2019, expected to be 4.375 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 \$30,000 of New Securities⁶, free of brokerage and transaction costs, via an SPP. The New Securities to be issued under the

⁴ Including Business As Usual ("BAU") to Oct-19 and impact from acquisitions of 60 Grindle Road, Wacol, QLD and 10 Brandl St, Eight Mile Plains, QLD.

⁵ NLA refers to net lettable area.

⁶ Securityholders are restricted from being issued more than \$30,000 worth of securities under an SPP in any consecutive 12-month period. As such, the amount Eligible Securityholders are able to subscribe for under the SPP will be reduced by any amount received under Industria's previous SPP announced on 13 May 2019 and issued on 18 June 2019.

SPP will be offered at the same price as the New Securities to be issued under the Placement, \$2.88 per New Security. The SPP will not be underwritten and is expected to raise up to \$5 million⁷. 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 31 December 2019.

Further information on the SPP will be lodged with the ASX and sent to Eligible Securityholders on or around Thursday, 28 November 2019.

Financial impact

Settlement of the Acquisition is scheduled for early December 2019.

Including the impact of the Acquisition and Placement and subject to market conditions and no unforeseen events, Industria expects FY20 FFO of 19.9 cents per security (3.5% growth on FY19) and FY20 DPS of 17.5 cents per security, consistent with previous guidance.

Industria's pro forma gearing is expected to be approximately 32%⁸ following the Acquisition and Placement, towards the bottom end of the 30 – 40% target gearing range.

Timetable

Event	Date (2019)
Record date for SPP	7.00 pm, Tuesday, 19 November
Announcement of the Acquisition and Placement	Wednesday, 20 November
Placement bookbuild	Wednesday, 20 November
Settlement of New Securities issued under the Placement	Monday, 25 November
Allotment and normal trading of New Securities issued under the Placement	Tuesday, 26 November
SPP offer opens and booklet is dispatched	Thursday, 28 November
SPP offer closes	5.00 pm, Thursday, 12 December
SPP allotment date	Thursday, 19 December
Dispatch of holding statements and normal trading of New Securities issued under the SPP	Friday, 20 December

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.

Additional information

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

⁷ 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.

⁸ As at 31 October 2019, excluding any proceeds potentially to be received under the SPP.

Important Notice and Disclaimer

This announcement has been prepared for release in Australia. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any Industria securities in the United States, or in any jurisdiction in which such an offer would be illegal. The New Securities to be offered and sold in the Placement and the SPP have not been, and will not be, registered under the U.S. Securities Act of 1933 ("U.S. Securities Act") or under the securities laws of any state or other jurisdiction of the United States. The New Securities to be offered and sold in the Placement may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws. The New Securities to be offered and sold in the SPP may not be offered or sold, directly or indirectly, to any person in the United States or any person that is acting for the account or benefit of a person in the United States.

This announcement includes certain forward-looking statements. Forward-looking statements can generally be identified by the use of words such as "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" or similar expressions or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, the completion and the effect of the Acquisition, the timetable and outcome of the Offer and the use of the proceeds thereof. Indications of, and guidance on, future earnings, financial position, distributions and performance are also forward-looking statements.

Any such forward-looking statements involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies and other factors, including the risks described in the investor presentation under "Key risks". Such risks may be outside the control of and/or may be unknown to APN Industria REIT. Any forward-looking statements included in this presentation, including projections, guidance on future revenues, earnings and estimates, the conduct and outcome of the Offer, the use of proceeds of the Offer and the future performance of APN Industria REIT, are provided as a general guide only. Forward-looking statements are based on assumptions and contingencies which are subject to change without notice. APN Industria REIT does not give any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

Investors should consider the forward-looking statements contained in this announcement in light of those disclosures and not place reliance on such statements. Any forward-looking statements in this announcement are not guarantees or predictions of future performance, and are based on information available to APN Industria REIT as at the date of this announcement. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, APN Industria REIT disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this announcement.

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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 \$798 million portfolio of 31 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.

www.apngroup.com.au