360 Capital
Property Group

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Dear Unitholder,

360 CAPITAL INDUSTRIAL FUND
SEPTEMBER 2011 QUARTER UPDATE

360 Capital is pleased to provide you with the September 2011 Quarter Update for the 360 Capital Industrial Fund (Fund), in which we outline the Fund's current position and provide an outlook for the year ahead. The Update highlights the results of key strategies designed to stabilise, restructure and refinance the Fund which were implemented after 360 Capital took over management of your Fund from Becton in December 2010.

Fund performance is determined by macroeconomic factors such as the health of the economy and interest rates, ongoing leasing and asset management success in the underlying property portfolio as well as capital and Fund management initiatives. Renegotiation of the NAB finance facility resulted in a step down in finance margins and a re-setting of fixed interest rates which enabled the reinstatement of distributions in the previous June 2011 quarter.

Key Issues

The Fund did not revalue its property investments during the September 2011 quarter as all properties were revalued in April 2011. As seen in the table below, the Fund's unaudited net tangible assets (NTA) per Unit increased marginally primarily due to increased capital expenditure and a reduction in trade creditors.

Key Fund and Property Statistics	30 Sep 2011	30 Jun 2011	Comment
Unaudited (NTA) per Unit	$0.62	$0.61	Reflects capex and reduced trade creditors
FY2012 forecast distribution (annualised)	4.00cpu	4.00[1]cpu	Margin step down & fixed interest rate reset allowed reinstatement of distributions
Purchase price	$302.9	$302.9	No assets disposed
Latest valuation	$277.0	$277.0	No revaluations undertaken
Weighted average Capitalisation rate	9.37%	9.37%	No revaluations undertaken
Occupancy rate (by area)	89.0%	97.6%	Lower occupancy due to new vacancies at Villawood and Hallam (see below)
Weighted average lease expiry (by income)	3.1years	3.3years	Reflects drop in occupancy

[1] Distributions recommenced at 1.00cpu for the June 2011 quarter, equating to 4.00cpu on an annualised basis

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Property management
Over FY2011, 360 Capital successfully released 21,679sqm, increasing portfolio occupancy to 97.6% from 91.0% in September 2010. Major new vacancies in the September quarter 2011 are shown in the table below. Leasing campaigns with multiple agents on each vacancy are underway to attract new tenants.

Property	Vacant Area	Comment
60 Marple Avenue, Villawood, NSW	9,634sqm	Whilst there is limited competing supply in each market, subdued tenant demand has limited enquiry to date
14-17 Dansu Court, Hallam, Vic	16,720sqm	Whilst there is limited competing supply in each market, subdued tenant demand has limited enquiry to date
243 Shellharbour Road, Kemblawarra, NSW	5,119sqm	This property is not located in an established industrial market and has therefore received limited leasing interest. The Fund will look to dispose this asset to avoid ongoing property income risk.

In addition to the above, three upcoming major lease expiries will be the focus for the Fund in FY2012:

Property	Current Tenant	Expiry	Area	Comment
310 Spearwood Ave., Bibra Lake, WA	Post Logistics Australia	Feb 2012;	28,307sqm	Negotiations underway to renew tenant
223 Barry Road Campbellfield, NSW	MCK Pacific	Mar 2012	11,018sqm	Whilst MCK (circa 2.5% of Fund income) is likely to vacate the property, 360 Capital is confident of reletting the space with minimal downtime.
39 Wedgewood Road, Hallam, NSW	Dana	May 2012	10,070sqm	Negotiations underway to renew tenant

While the current and pending expiry represents circa 22% of gross income, 360 Capital is confident of reletting the space with minimal downtime based on past success and a stabilised industrial market outlook.

Development Land

Over the September 2011 quarter the Fund's sole development (102-108 Bridge Road, Keysborough, Vic.) progressed in line with expectations. There are currently two tenants with continued interest to lease the building.

By way of background, in 2008 the Fund entered into a Development Agreement with Becton Development to develop land surrounding the existing buildings at the site. The final building, Building 9, is currently being built and consists of a 3,045sqm warehouse, 130sqm of office and 1,230sqm of hardstand. The Fund owns the land and the developer is funding the final stage of the development. The building is scheduled for completion and the final payment due in November 2011.

Capital Expenditure
Seven other FY2012 capital expenditure items greater than $200,000 relate to building upgrades and maintenance totalling $3.1 million. In line with budgets, circa $800,000 has been spent during the September 2011 quarter.

Debt

At the end of the September 2011 quarter the Fund was compliant with all loan covenants. 360 Capital has recently entered into a new, three-year finance facility with NAB on the same terms as the existing facilities. The Fund's proximity to the loan to value (LVR) covenant requires adoption of a strategy to dispose a finite value of assets in order to reduce debt and increase covenant headroom as the Fund goes forward. This strategy will utilise a limited, orderly disposal process that will not unduly impact NTA per Unit and therefore Unitholder value. Documentation for the new three-year facility is currently being finalised and will appear in the December Half Year report. The table below sets out the Fund's two debt facilities as at 30 September 2011 and their respective loan covenants:

NAB debt facility	**Loan Covenant/Limit**	**30 Sep 2011**	**30 Jun 2011**
Expiry date	$38.0m on 31 October 2011 and $125.0m on31 January 2012		
Loan type	Senior debt		
Drawn amount	$166.5m	$163.9m	$163.9m
LVR[2]	<62.5%	61.4%	61.4%
ICR[3]	>1.40 times	1.63 times	1.63 times
Bankwest debt facility	**Loan Covenant/Limit**	**30 Sep 2011**	**30 Jun 2011**
Expiry date	29 October 2011		
Loan type	Senior debt		
Drawn amount	$2.42m	$2.42m	$2.42m
LVR[2]	<55.0%	42.5%	42.5%
ICR[3]	>1.75 times	2.20 times	2.20 times

Total returns

In line with the undertaking in the 2011 Annual Report, the Fund's total return to 30 June 2011 on a 1 year, 3 year, 5 year and since inception basis (based on the $1.00 issue price) were 3.2%, -16.0%, -2.4% and 2.3% respectively.

Outlook

In conjunction with a limited orderly asset disposal strategy, 360 Capital is investigating options to provide Unitholders with further increases in distributions (currently forecast at 4.00cpu for FY2012 barring unforeseen circumstances). We are also reviewing the various options available for the Fund to meet its obligation under the constitution to provide liquidity for Unitholders in December 2012. Whilst no final decision has been made regarding the most appropriate mechanism, 360 Capital believes that Unitholder value would be unduly negatively impacted by an accelerated asset sale program designed to dispose of all Fund properties by December 2012. We will continue to keep Unitholders fully informed in relation to any proposed liquidity strategy.

Need more information?

If you have a query regarding your investment, such as changing your details, please call our investor information line on 1800 182 257, email investor.relations@360capital.com.au or visit our website www.360capital.com.au

Yours faithfully,

Tim Spencer
Head of Investor Relations
360 Capital Property Group

[2] Loan to value ratio (LVR) calculated with reference to the loan facility documentation.
[3] Interest cost ratio (ICR) calculated with reference to the loan facility documentation.