

## RG198 Announcement

### **360 Capital Industrial Fund ARSN: 099 680 252**

6 June 2012

#### **360 Capital Industrial Fund prepares for ASX listing following acquisition of \$87.4 million industrial portfolio and enters into \$500 million to \$1.0 billion strategic relationship with Walker Corporation**

The 360 Capital Industrial Fund (Fund) is pleased to announce the acquisition of a portfolio of four properties (Additional Portfolio) from Walker Corporation for a total acquisition cost of \$87.4 million, reflecting an acquisition yield of 8.5%.

The Additional Portfolio is diversified across established distribution hubs in Brisbane, Adelaide and Canberra and comprises four recently completed distribution facilities. Under the terms of the acquisition, the four facilities have been unconditionally exchanged with settlement to occur within two weeks.

The Additional Portfolio has a weighted average lease expiry of 9.6 years, is 100% occupied and has an average age of 2.3 years.

The Fund has also entered into two further agreements to acquire industrial properties (the Option Portfolio) from Walker Corporation subject to further capital raisings. These agreements relate to two completed properties scheduled to be acquired within three months subject to the closing of the Retail Offer (see below) and an additional three properties currently under development scheduled to be acquired on completion (scheduled between August and December 2012). Each development property has been leased from completion to high quality tenants on long leases.

In addition to the above, 360 Capital Property Group (360 Capital) is pleased to announce that the Fund and 360 Capital have entered into an exclusive agreement with Walker Corporation, securing the first right of refusal over all completed Walker Corporation industrial developments for the next five years. Walker Corporation is one of Australia's major industrial developers currently controlling 580 hectares of industrial land in three estates which, over the next five years, will provide the Fund with access to a pipeline of potentially \$500.0 million to \$1.0 billion of newly completed and tenanted industrial facilities.

Tony Pitt, Managing Director of 360 Capital Property Group said "The acquisitions, scheduled acquisitions and the strategic relationship announced today with Walker Corporation provides the Fund with an enhanced earnings growth profile and increased security from a significantly higher quality portfolio."

Lang Walker, Executive Chairman of Walker Corporation said "We are delighted to be able to partner with 360 Capital to provide high-quality industrial properties in the major growth corridors of Australia."

The diversified and high quality pipeline will allow the Fund to regularly upgrade the quality of its portfolio and security of its earnings, and allow the Fund to reposition its portfolio by proactively disposing non-core assets and recycling capital onto modern facilities developed by Walker Corporation and other industrial developers as opportunities arise.

The acquisition of the Additional Portfolio was funded through a \$27.0 million placement to institutional investors of redeemable unsecured convertible notes ("360 Notes"), with the remainder provided by the Fund's current financier, National Australia Bank Limited, under a new three-year finance facility.

Following the acquisition of the Additional Portfolio, the Fund will comprise 26 industrial assets with a value of \$360.8<sup>1</sup> million. The acquisition of the Additional Portfolio significantly improves the quality, security, scale, growth and liquidity prospects of the Fund and has the following benefits for Unitholders:

- Portfolio weighted average lease term to expiry (WALE) increases from 3.9 years to 5.0 years;
- Portfolio allocation to fixed rental reviews increases to 76% of portfolio leases with fixed average rental growth of 3.6% p.a.;
- Portfolio weighted average capitalisation rate (WACR) reduces from 9.33% to 9.16%;
- Portfolio weighted average occupancy increases to 97.9%;
- Enhances portfolio geographical and tenant diversification;
- Enhanced earnings security to underpin on-going distributions; and
- Opportunity to participate alongside, and on the same terms, as institutional investors.

The expanded and improved portfolio has strong growth potential based on the high allocation to fixed rent reviews and 360 Capital's demonstrated active asset management skills (over 38% of the Fund's total net lettable area (NLA) was re-leased over the last year).

The Fund's pro-forma loan to value ratio (LVR) for its finance facilities was 59.4% as at 31 December 2011 and as a result of this transaction is forecast to increase marginally to 62.8% assuming 100% conversion of the 360 Notes issued to institutions.

As a result of the Fund's enhanced position and the lack of investment choice in the A-REIT market, the Fund's Responsible Entity, 360 Capital RE Limited, intends to convene a meeting of Members of the Fund to consider a special resolution to list the Fund on the ASX and make all necessary amendments to the Constitution of the Fund to facilitate listing, prior to late December 2012. This will provide liquidity to those Unitholders that desire it and will also provide 360 Noteholders with the opportunity to convert their 360 Notes into Units in the Fund.

The proposed listing of the Fund on the ASX provides a prudent liquidity option for those existing Unitholders seeking to withdraw from the Fund upon its 10 year anniversary in December 2012, as well as allowing new investors to gain access to what is expected to be the only AREIT exclusively focused on passive institutional-grade investment in Australian industrial assets.

The Fund's FY2012 distributions on Ordinary Units are forecast to remain at 4.00cpu p.a. paid quarterly. However, as a result of the acquisition of the Additional Portfolio, distributions are now significantly more sustainable due to the increase in portfolio quality, scale and strategic relationship with Walker Corporation. The scope to potentially increase distributions going forward is significantly improved through the high proportion of tenants on fixed rental reviews.

Existing Fund Unitholders (on a priority basis) and members of the public will have the opportunity to participate in the next stage of the Fund by investing alongside institutions on the same terms through a Retail Offer of 360 Notes seeking to raise up to \$40.0 million to acquire completed industrial properties within the Option Portfolio, which is expected to provide similar benefits for the Fund as the Additional Portfolio.

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1. Includes 244 Eastern Parade Gilman, SA, which is under a conditional contract for sale.

The Retail Offer opens on 6 June 2012 and closes on 31 July 2012. National Australia Bank Limited has been appointed to act as Lead Manager to the Retail Offer.

Any queries in relation to the Retail Offer should be directed to our investor information hotline: 1800 182 257 or via email: [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au).

A combined Prospectus and Product Disclosure Statement will be sent to Unitholders and made available at [www.360capital.com.au](http://www.360capital.com.au). The Prospectus and Product Disclosure Statement will contain further details on the Retail Offer, the terms of the 360 Notes and a description of some of the main risks associated with an investment in 360 Notes and the Fund. Potential investors are encouraged to read the entire Disclosure Document carefully and consider the key risks which are set out in section 5 before deciding whether to participate in the Retail Offer. If potential investors are unsure whether 360 Notes are a suitable investment, they should consult a stockbroker, accountant or other professional adviser.

Further updates will be provided to Unitholders in due course.

**Key terms of the 360 Notes include**

- Face Value and Issue Price of \$0.40 per 360 Note representing a 23.0% discount to the Fund's pro-forma 31 December 2011 NTA<sup>2</sup> per Unit.
- Coupons payable quarterly equivalent to:
  - 12.0% p.a. from the date of Issue until the Maturity Date or the date of a Fund Listing (if any);
  - 10.0% p.a. following the Fund Listing where a Noteholder elects not to convert into Units, until the Extended Maturity Date;
  - 16.0% p.a. if the Issuer fails to satisfy the Listing Condition until the Maturity Date.
- Maturity Date / Extended Maturity Date:
  - three years from the date of Issue unless a Fund Listing has occurred; or
  - if a Fund Listing occurs, four years from the date of a Fund Listing unless previously converted, repurchased, cancelled or redeemed.
- 360 Notes are unsecured and therefore rank for payment after the Fund's secured creditors but ahead of Unitholders.
- 360 Notes are convertible into Units following Fund Listing (if any) and at six monthly intervals thereafter. The number of Units in the Fund to be delivered on exercise of a 360 Noteholder conversion right shall be determined at the Conversion Price.
- The Conversion Price is \$0.40 per 360 Note subject to any adjustment under the anti-dilution provisions.

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***About 360 Capital Property Group***

360 Capital is a property investment and funds management group that was formed in 2006 by Tony Pitt to concentrate on the strategic investing in, and active investment management of, property and property-related assets. 360 Capital is based in Sydney, employs 15 people and manages over in excess of \$900 million of property assets across 11 funds and trusts (including the Additional Portfolio). 360 Capital maintains strong relationships with Institutional Investors and external capital partners. AMB Capital Partners, the investment business of AMB Holdings Pty Ltd, acquired a stake in 360 Capital in May 2011.

***About Walker Corporation***

Walker Corporation Pty Ltd, under the leadership of renowned property developer, Lang Walker, is a leading developer of master-planned residential communities, retail, commercial and industrial developments. With a diverse range of land for sale in growth areas, Walker Corporation is able to provide some of the best real estate investment opportunities in Australia. Walker Corporation specialises in planning, project management, finance, joint venture and development structures, construction management and project marketing.

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2. 31 December 2011 NTA pro forma for the acquisition of the Additional Portfolio and assumed conversion of 100 % of the 360 Notes issued under the Institutional Placement. Assumes no take up under the Retail Entitlement Offer.