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Centuria Property Funds No. 2 Limited CENTURIA INDUSTRIAL REIT

CIP Q1 FY18 OPERATING UPDATE

Wednesday, 25 October 2017

Centuria Property Funds No. 2 Limited (CPF2L), as Responsible Entity of Centuria Industrial REIT (ASX:CIP), is pleased to provide CIP's Q1 operating update for FY18.

Key highlights in Q1-FY18

- Increased portfolio occupancy¹ by 1.4% to 93.5%
- Increased portfolio WALE¹ by 0.4 years to 4.8 years
- Agreed leases² over 134,000sqm, representing 17.5% of portfolio gross lettable area (GLA)
- Reduced FY18 lease expiry¹ from 5.0% to 3.6%
- Reduced FY20 lease expiry¹ from 24.8% to 13.1%
- Raised additional \$53m of equity through unit purchase plan (UPP) and institutional placement
- Invested \$120m growing portfolio value to \$1.02b³
- Reduced pro-forma gearing by 1.6% to 41.5%⁴

Property portfolio and leasing

Leasing momentum has continued into the first quarter with 134,000sqm leased or at heads of agreement, reflecting 17.5% of the portfolio's gross lettable area. This significant activity improved portfolio occupancy to 93.5% and reduced remaining FY18 lease expiry to 3.6%¹.

In line with Centuria's proactive approach to managing assets, the bulk of this leasing activity – over 110,000sqm – relates to forward leasing of FY20 lease expiries, consequently reducing re-leasing exposure in FY20 from 24.8% to 13.1%⁴.

Significant leases agreed² in the quarter include:

- 83,781sqm with AWH Pty Ltd at 310 Spearwood Ave, and the recently acquired Lot 14 Sudlow Rd, Bibra Lake, reducing FY20 lease expiry.
- 26,628sqm with The Reject Shop at 1 Ashburn Rd, Bundamba, reducing FY20 lease expiry.
- 9,244sqm to Complete Supply Co (Australia) Pty Ltd at 324-332 Frankston Dandenong Rd, Dandenong South, reducing vacancy and growing an existing tenant within the portfolio.

1 By income

2 Includes Heads of Agreement

3 Pro-forma 30 June 2017 adjusted for acquisitions

4 Pro-forma 30 June 2017 adjusted for equity raisings and acquisitions

	Q1-FY18	FY17	Movement
Portfolio occupancy	93.5%	92.1%	↑ 1.4%
Portfolio WALE	4.8y	4.4y	↑ 0.4 yrs
FY18 lease expiry	3.6%	5.0%	↓ 1.4%
FY20 lease expiry	13.1%	24.8%	↓ 11.7%

Capital management

CIP was well supported in equity capital markets in Q1 FY18, raising an additional \$53 million to fund acquisitions. This is in addition to a \$35 million placement in June 2017 – taking total equity raised to \$88 million since the start of June 2017.

The unit purchase plan closed in August 2017 with an initial target of up to \$7.5 million, which was scaled up to \$8.8 million following increased demand.

In September CIP conducted an underwritten institutional placement to raise an additional \$44.2 million. The funds were used to acquire a 7.7% interest in Propertylink (ASX:PLG).

At 30 September 2017 CIP's pro-forma gearing had reduced by 1.6% to 41.5%⁵.

Transactions

CIP continues to evaluate and, where appropriate, execute on opportunities to improve portfolio quality through transactional activity.

During the quarter CIP settled three assets for \$76.2 million. The acquired properties are 100% leased with a WALE of 7.4 years. Additionally CIP contracted to divest 39-45 Wedgewood Drive, Hallam for \$10.0 million, a 7.5% premium to book value.

In September, CIP acquired a 7.7% interest in ASX listed Propertylink (ASX:PLG) for \$44.2m. CIP together with Centuria Capital (ASX:CNI) collectively hold 17% interest in PLG and are PLG's second largest securityholder. Propertylink hold a portfolio of industrial assets that are complimentary to CIP's existing portfolio.

Property Name	Purchase Price⁶	Yield	WALE
215 Browns Road, Noble Park	\$37.0m	7.0%	8.8
92 Robinson Avenue, Belmont	\$11.2m	11.0%	3.8
Lot 14 Sudlow Road, Bibra Lake	\$28.0m	8.8%	7.8
Propertylink Securities ⁷	\$44.2m	7.5%	N/A
Total	\$120.4m	8.0%	7.4

CIP holds a portfolio of 39 high quality assets and, following transactions executed over the quarter, now has a portfolio valued at approximately \$1.02 billion⁸.

⁵ Pro-forma 30 June 2017 adjusted for equity raisings and acquisitions

⁶ Before acquisition costs

⁷ Yield is based on low end of PLG distribution guidance at 7.1cps

⁸ Pro-forma 30 June 2017 adjusted for acquisitions



FY18 guidance

CIP maintains its FY18 distributable earnings guidance of 19.5 – 20.0 cents per unit. Distribution per unit guidance is maintained at 19.4 cents per unit.

CIP Trust Manager, Mr Ross Lees commented:

“Our momentum has continued in the first quarter of FY18 with our leasing team achieving some significant wins, increasing occupancy and reducing future expiries with the aim of securing stable rental incomes for our investors.

We have hit a major milestone, with new acquisitions growing the portfolio to over \$1 billion in value, cementing CIP’s position as the largest income focused industrial REIT on the ASX. We will continue to actively manage CIP’s portfolio to maximise occupancy and pursue acquisition opportunities where we believe they are complimentary to CIP’s existing portfolio”

– Ends –

For further information, please contact:

Ross Lees

Trust Manager - CIP

Centuria Property Funds No. 2 Limited

Phone: 02 8923 8923

Email: ross.lees@centuria.com.au

Natalie Powell

Chief Marketing Officer

Centuria Capital Limited

Phone: 02 8923 8923

Email: natalie.powell@centuria.com.au

Katy Lithgow

Media Enquiries

BlueChip Communication

Phone: 02 9018 8603

Email: katy@bluechipcommunication.com.au

About Centuria Property Funds No. 2 Limited

Centuria Property Funds No. 2 Limited (CPF2L), a wholly-owned subsidiary of Centuria Capital Group (CNI), is the Responsible Entity for the ASX listed Centuria Industrial REIT (CIP).

CIP is Australia’s largest ASX-listed income focused industrial investment vehicle and is included in the S&P ASX300 index. CIP owns a portfolio of 39 high quality industrial assets with a value of \$972 million, the properties are located in key metropolitan locations throughout Australia.

CPF2L, combined with Centuria Property Funds Limited (CPFL), the Responsible Entity for the ASX listed Centuria Metropolitan REIT (CMA), has \$3.4 billion of funds under management in 16 unlisted property funds, one open-ended diversified property fund and two listed REITs.

CNI is an ASX-listed specialist investment manager with \$4.2 billion in funds under management.

www.centuria.com.au