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Centuria Property Funds No. 2 Limited

CENTURIA INDUSTRIAL REIT

1H FY19 Financial Results

Wednesday, 6 February 2019

Centuria Property Funds No. 2 Limited (**CPF2L**), as Responsible Entity of Centuria Industrial REIT (ASX:**CIP**), is pleased to announce CIP's half year financial results for the period ended 31 December 2018.

1H19 FINANCIAL HIGHLIGHTS

- 1H19 Statutory profit of \$46.1 million
- Distributable earnings of \$23.3 million
- Distributable earnings per unit (EPU) of 9.3 cents per unit (cpu)
- Distributions per unit (DPU) of 9.2 cpu
- 12 month Return on Equity¹ (ROE) of 15.8%
- Balance sheet gearing² reduced to 37.0%

PORTFOLIO HIGHLIGHTS

- Leases agreed³ for more than 65,900sqm, representing 8.2% of portfolio GLA
- Occupancy⁴ increased to 97.1% with a WALE⁴ of 4.7 years
- Portfolio value increased to \$1.2 billion
- \$168.6 million of transactions to improve portfolio quality

Ross Lees, CIP Fund Manager, commented, "The first half result continues the momentum created by our team to deliver on CIP's priorities and to grow our pure play portfolio of Australian industrial real estate.

"Industrial markets continue to strengthen, particularly in the east coast where increasing land values coupled with improved demand, particularly relating to e-commerce, is putting upward pressure on rentals. At the same time, local and global investors are seeking increased exposure to logistics assets, keeping pressure on capitalisation rates.

"With occupancy⁴ increasing to 97.1%, remaining expiry in FY19 of less than 2% and balance sheet gearing² reduced to 37%, CIP's portfolio is well positioned to continue to execute our investment strategy."

1H19 FINANCIAL RESULTS

Earnings		1H19	1H18
Statutory profit / (loss)	\$m	46.1	49.6
Distributable earnings ⁵	\$m	23.3	24.2
Distributable earnings per unit	cpu	9.3	10.1
Distribution per unit	cpu	9.2	9.7
Return on equity ¹	%	15.8	12.5

Balance sheet		1H19	FY18
Total Assets	\$m	1,197.1	1,096.9
NTA per unit ⁶	\$	2.66	2.56
Gearing ²	%	37.0	38.4

Statutory profit of \$46.1m was recorded for 1H19. Distributable Earnings⁵ of \$23.3 million generated EPU of 9.3cpu, with total distributions paid of 9.2cpu, in line with guidance.

Revaluations in 1H19 contributed to a 3.9% increase in CIP's NTA⁶ since 30 June 2018 to \$2.66 per unit. The positive revaluation results were largely driven by gains in the NSW and VIC sub-portfolios, where CIP has its highest concentration of assets. The portfolio's Weighted Average Capitilisation rate (WACR) reduced by 22bps to 6.54% following a combination of leasing success and continued market demand for industrial assets.

The increase in NTA⁶ has underpinned CIP's strong 12 month ROE¹ of 15.8%.

Gearing² has continued to reduce to 37.0% through a combination of asset sales, equity funded acquisitions and revaluations. CIP entered into new financing arrangements for \$210 million of debt during the half, including increased facilities of \$60 million. CIP now has no debt maturity until May 2020.

PROPERTY PORTFOLIO

Portfolio Snapshot		1H19	FY18⁷
Number of assets		41	37
Book value	\$m	1,154.7	999.0
WACR	%	6.54	6.76
Occupancy by income	%	97.1	94.5
WALE by income	years	4.7	5.1
Leases agreed GLA	sqm	65,902	238,189

Ross Lees commented, "leasing momentum from FY18 has continued into FY19 where we have agreed terms³ on over 65,900sqm of CIP's portfolio. Importantly, we have continued to improve the Victorian portfolio with over 80% of leasing occurring in this sub-portfolio, improving CIP's Victorian occupancy to 96.4% and overall portfolio occupancy⁴ to 97.1%."

The portfolio remains well positioned with lease expiry for the remainder of FY19 now 1.5% of CIP's total portfolio.

CAPITAL TRANSACTIONS

During the period, CIP settled the acquisition of four high quality properties for a combined \$112.3 million. The acquisitions, located in established industrial precincts or close to key infrastructure amenity, presented opportunities to expand CIP's portfolio with complimentary assets whilst introducing new national tenant customers within the portfolio.



CIP settled the divestment of 39-45 Wedgewood Drive, Hallam VIC for \$10.0 million. CIP also divested of a 7.7% strategic stake in Propertylink Group for \$46.3 million and achieving a 13.3% IRR over CIP's 11 month holding period⁸.

Ross Lees commented, "CIP has continued to improve the quality of its portfolio through select acquisitions in core industrial markets and continues to demonstrate a track record of pursuing attractive fit-for-purpose assets, consistent with the funds strategy."

SUMMARY & OUTLOOK

Ross Lees commented, "As Australia's largest income focused industrial REIT, CIP remains well positioned to benefit from the increasing demand within the Australian industrial and logistics sector. In particular, demand for infill assets or those closely located near key infrastructure continue to generate interest from a variety of domestic and offshore capital sources. Importantly, evidence for demand in this type of industrial space remains elevated from economic and thematic tailwinds across e-commerce, last mile logistics and manufacturing.

"With \$1.2 billion of total assets and a high quality portfolio that is well weighted to key industrial markets, we continue to explore opportunities that can deliver value enhancing outcomes for our tenant customers and unitholders."

FY19 guidance is maintained at 18.5-19.0 cents per unit and distributions of 18.4 cents per unit.

1H19 RESULTS PRESENTATION

CIP has provided a market briefing that is available via the Centuria website <https://centuria.com.au/cip/annual-results/>.

-Ends-

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About Centuria Property Funds No. 2 Limited

Centuria Property Funds No. 2 Limited (CPF2L), 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/ASX 300 Index. CIP owns a portfolio of 41 high quality industrial assets with a value of \$1.2 billion. The properties are in key metropolitan locations throughout Australia.

CPF2L, combined with Centuria Property Funds Limited (CPFL), are wholly owned subsidiaries of Centuria Capital Group (CNI) and have approximately \$4.8 billion of assets under management across 15 unlisted property funds, one open-ended diversified property fund and two listed REITs.

CNI is an ASX-listed specialist investment manager with approximately \$5.6 billion in assets under management.

www.centuria.com.au

1 Return on Equity is calculated as closing NTA minus opening NTA plus distributions divided by opening NTA

2 Gearing is defined as total borrowings less cash divided by total assets minus cash and goodwill

3 Includes heads of agreement

4 By income, assumes 12 month rental guarantee for Cargo Business Park, 1 International Drive, Westmeadows, VIC

5 Distributable earnings is a financial measure which is not prescribed by Australian Accounting Standard ("AAS") represents the profit under AAS adjusted for specific non-cash and significant items. The Directors consider that distributable earnings reflect the core earnings of CIP

6 NTA per unit is calculated as net assets less goodwill divided by closing units on issue

7 Excludes 39-45 Wedgewood Drive, Hallam which exchanged in FY18 and settled on 13 July 2018

8 Realisation, profit and IRR all take account of transaction costs