

HY22 Financial Results and earnings upgrade

SYDNEY (Tuesday, 1 February 2022) - Centuria Industrial REIT (**ASX: CIP**), Australia's largest listed pure-play industrial REIT, has announced its Half Year financial results for the period ended 31 December 2021.

HY22 Financial Highlights

- \$53.9 million Funds From Operations (FFO)¹;
- Upgraded FY22 FFO guidance of no less than 18.2 cents per unit (CPU)² from 18.1 cpu
- Distributions per unit (DPU) guidance reiterated at 17.3 cpu, reflecting a 4.6% distribution yield³
- \$308.1 million Statutory Net Profit
- \$4.21 per unit Net Tangible Assets (NTA)⁴, 10% increase during HY22⁵
- 46.5% 12-month Return on Equity (ROE)⁶
- Strong and further diversified balance sheet, 30.5% gearing⁷
- Inaugural Medium Term Note (MTN) issuance, \$350 million raised, achieved Moody's rating (Baa2 stable)

HY22 Portfolio Highlights

- Strong leasing success with 109,188sqm of lease terms agreed, representing 8.5% of portfolio GLA⁸
- Average rental growth of 10% over prior passing rents
- Portfolio expanded to 80 industrial assets valued at \$3.9 billion; 90% weighting to Australia's eastern seaboard
- Acquired 21 high-quality urban infill industrial assets worth \$680 million⁹; 100% off-market or via select campaigns
- \$281 million (10%) like for like valuation uplift¹⁰ on the back of leasing success and investment demand
- 8.9-year WALE with a 99.2% portfolio occupancy¹¹ up from 96.9% pcp

Jesse Curtis, CIP Fund Manager and Centuria's Head of Industrial, said, "CIP delivered a strong performance throughout the first half of FY22 with significant leasing activity supported by exceptional, double-digit rental growth and strategic acquisitions. This success has enabled CIP to upgrade its FY22 FFO guidance of no less than 18.2cpu and reiterated FY22 distribution guidance of 17.3cpu, reflecting a 4.6% distribution yield³.

"Strong leasing activity increased portfolio occupancy to a high 99.2%. Leasing across CIP's portfolio delivered 10% rental growth driven by elevated occupier demand, particularly from the e-commerce sector, creating competition for high-quality industrial assets. Major renewals and new tenant leases, together with strong investment demand, underpinned a healthy \$281 million valuation uplift, on a like for like basis.

"CIP continued increasing its exposure to urban infill industrial markets that cater to last-mile e-commerce operators with 21 acquisition worth \$680 million. This extended the portfolio's scale to 80 high quality industrial assets worth \$3.9 billion. Acquisitions were largely positioned within land-constrained, eastern seaboard markets that lend themselves to low vacancy rates and high tenant demand, creating opportunities to extract outsized returns. Several acquisitions provided value-add opportunities through near term development, repositioning or leasing.

"HY22 marks five years since Centuria assumed management of the REIT. Under Centuria's active management approach, the quality of CIP's portfolio has transformed. We've achieved meaningful scale, been included in major indices, enhanced tenant and building quality, and improved portfolio metrics. The portfolio's balance sheet is strengthened and CIP has delivered a 12% average annual growth in NTA with average annual return on equity of 23% per annum^{5,6} over past five years."

HY22 Financial Results

Earnings		HY22	HY21
Statutory profit	\$ million	308.1	99.6
FFO	\$ million	53.9	42.8
FFO per unit	cpu	9.1	8.8
Distribution per unit	cpu	8.7	8.5
Return on equity	%	46.5	11.9

Balance Sheet		HY22	FY21
Total Assets	\$ million	3,936.6	3,105.9
NTA per unit	\$	4.21	3.83
Gearing	%	30.5	27.8

During HY22, CIP reported a \$308.1 million statutory profit. Guidance has been upgraded to deliver FFO of no less than 18.2cpu above initial FY22 guidance of 18.1cpu. Total distributions of 8.7cpu were paid in line with FY22 guidance of 17.3cpu, representing a distribution yield of 4.6%³. Return on Equity was a strong 46.5%, generated through strong NTA uplift and ongoing distributions.

Total assets increased to \$3,936.6 million, underpinned by acquisitions settled during the period, as well as a strong \$281 million like for like valuation uplift as at 31 December 2021. CIP benefited from a 10% increase in NTA per unit to \$4.21. Valuation uplift was driven by strong leasing activity and rental growth coupled with record low vacancy and robust tenant demand. The portfolio's Weighted Average Capitalisation Rate (WACR) compressed 35bps from 4.54% to 4.19% during HY22.

CIP strengthened the balance sheet, being assigned a Moody's Credit Rating of Baa2 Stable and successfully completing an inaugural MTN issuance with a \$350 million debt raising, broadening access to a wider range of capital sources. CIP's balance is well positioned to execute further growth opportunities with \$290 million in available cash and debt headroom. Gearing of 30.5% (covenant of 50%) and Interest coverage ratio (ICR) of 5.7 times (covenant of 2.0 times) both provide substantial headroom to covenants whilst 62.7% of CIP's debt is hedged. CIP maintains a staggered and diverse debt profile with no debt maturing before FY23 and a weighted average debt maturity of 4.8 years.

Property Portfolio

Portfolio Snapshot		Pro forma HY22 ¹²	HY22	FY21
Number of assets		84	80	62
Book value	\$ million	3,972.4	3,878.9	2,945.1
WACR	%	4.20	4.19	4.54
Occupancy by income	%	99.2	99.2	96.9
WALE by income	years	8.8	8.9	9.6
Leases agreed GLA	sqm	-	109,188	239,950

CIP's portfolio expanded 32% throughout HY22 to 80 high-quality industrial asset worth \$3.9 billion. The portfolio is well diversified across the industrial sub-sectors and income supported by 155 tenant customers.

Tenant occupier demand across industrial markets remained strong throughout HY22 with the CIP achieving an average 10% rental growth over prior passing rents. 109,188sqm of lease terms were agreed during the period, representing 8.5% of portfolio GLA.

Key leasing transactions include:

- 25,666sqm renewed to Real Pet Food Company on a 15-year term at 12 Williamson Road, Ingleburn NSW
- 19,173sqm renewed to Opal Packaging Australia on a 10-year term at 23 Selkis Road, Bibra Lake SA
- 12,870sqm leased to Tech Engineering on a 10-year term at 32-54 Kurna Avenue, Edinburgh Park SA

CIP continued to progress and execute a number of value-add projects during the half to continue to deliver improved income streams. Key value-add initiatives include:

- 160 Newton Road, Wetherill Park NSW: increasing WALE from 0.9-years at acquisition in July 2021 to 6.8 years at 31 December 2021, resulting in a \$6.9 million (+21%) valuation uplift during the same period
- 48-54 Kewdale Road, Welshpool WA: Renewed existing tenant's lease across 32% of the asset and commenced refurbishment works, resulting in a \$2.2 million (+6%) valuation uplift from its acquisition in September 2021

Current value-add initiatives underway include repositioning of 8 Lexington Drive, Bella Vista following agreed terms with a global e-commerce operator for a new 10-year lease.

ASX Announcement

CIP's portfolio WALE remained high at 8.9 years at the end of HY22 while portfolio occupancy increased to 99.2% up from 96.9% in June 2021. Strong occupancy is credited to active inhouse active asset management approach to the portfolio.

Leveraging Centuria's inhouse development capabilities, CIP has continued to unlock embedded value with a number of projects underway and within the pipeline, including development of a multi-unit industrial estate at 95-105 South Gippsland Highway, Dandenong South VIC. Completion is expected in 2022 and, though the project is supported by a two-year rental guarantee, 20% of the development is already pre-committed.

CIP continues to work through other value-add initiatives across the portfolio to generate additional income opportunities for unitholders.

Capital Transactions

CIP entered contracts to acquire 21 high-quality industrial assets worth \$680 million on an average capitalisation rate of 4.26%, with 56% of the acquisition in tightly held NSW markets. Key transactions included:

- 52-88 Lisbon Street, Fairfield NSW: A 60,000sqm major distribution centre on an 8ha site in the geographic and population centre of Sydney for \$200.2 million
- Wetherill Park, NSW: Acquired three adjoining assets consolidating a 5.3ha holding in the land constrained, infill Sydney market for \$82.5 million
- \$397.4 million of urban infill logistics assets across 17 transactions

Of the 21 transactions, nine of the acquisitions were adjoining assets that delivered on CIP's strategy to create consolidated landholdings, that generate income in urban infill markets to create scale and deliver value with future optionality.

Illustrative of Centuria's strong transaction capability and market relationships, all of the acquisitions were secured off-market or via select campaigns.

During FY21, CIP recycled capital with the divestment of 99 Quill Way Henderson, WA for \$10.5million, reflecting a 16.7% premium to the 30 June 2021 book value.

Sustainability

CIP benefits from Centuria Capital Group's (ASX: CNI) three-fold sustainability approach defined by: "Conscious of Climate Change," "Valued Stakeholders," and "Responsible Business Principles" with each area aligned to either an environment, social or governance theme. In October 2021, Centuria Capital Group published its first Sustainability Report containing details relating to the Group's Environment Social Governance (ESG) initiatives, including those undertaken by CIP.

Throughout HY22, Centuria and CIP implemented further ESG initiatives including initial disclosures aligned to the Task Force on Climate-Related Financial Disclosures (TCFD) as part of Centuria's first Sustainability Report, disclosures aligned to Global Reporting Initiative (GRI) Sustainability Reporting Standards and delivery of Centuria's second Modern Slavery Statement.

Specific to the environment, high level physical climate risk assessments of CIP assets are ongoing. Centuria is participating in NABERS warehouse and cold storage accelerate programme, working with tenants and NABERS to design parameters for the next generation of green industrial assets.

In partnership with key tenant customer, Woolworths, CIP successfully installed a 1MW solar system at 21 Jay Street, Townsville QLD during HY22 and is targeting a 5-star Green Star rating on its 95-105 South Gippsland Highway, Dandenong VIC development.

Summary & Outlook

CIP commences the second half of FY22 in a strong position, upgrading FFO guidance to no less than 18.2cpu and already expanded its portfolio to 84 high-quality industrial assets worth \$4.0 billion.

Jesse Curtis, concluded, “Australian industrial property remains a highly favoured asset class. Tenant demand remains unabated, driving national industrial vacancy to record lows. With demand for industrial space expected to remain elevated, thanks to customer shifts to e-commerce plus onshoring to maintain supply chain resilience, and with limited supply within urban infill markets, we expect to see industrial rents continue to rise. Coupled with sustained global investment for quality Australian industrial assets, upward pressure continues to be applied on asset values.

“CIP is well placed to leverage these continual themes, delivering scale within heavily in-demand urban infill markets. Our strategy remains unchanged; to actively manage, through leasing, value-add, development and select acquisitions, a high-quality portfolio of industrial assets that delivers long-term sustainable income streams and capital growth to investors.”

As Australia’s largest listed domestic pure play industrial REIT, CIP provides FY22 FFO guidance of no less than 18.2cpu and reiterates distribution guidance of 17.3cpu² with distributions paid in equal quarterly instalments.

HY22 Results Presentation

In addition to the HY22 Results Presentation, CIP is providing a market briefing, which will be made available via the [Centuria website](#).

– Ends –

For more information or to arrange an interview, please contact:

Jesse Curtis

Fund Manager - CIP

Centuria Industrial REIT

Phone: 02 8923 8923

Email: jesse.curtis@centuria.com.au

Tim Mitchell

Group Head of Investor Relations

Centuria Capital Limited

Phone: 02 8923 8923

Email: tim.mitchell@centuria.com.au

Alexandra Koolman

Group Communications Manager

Centuria Capital Limited

Phone: 02 8923 8923

Email: alexandra.koolman@centuria.com.au

Authorised for release by Anna Kovarik, Company Secretary.

About Centuria Industrial REIT

CIP is Australia’s largest domestic pure play industrial REIT and is included in the S&P/ASX 200 Index. CIP’s portfolio of high-quality industrial assets is situated in urban infill locations throughout Australia and is underpinned by a quality and diverse tenant base. CIP is overseen by a hands-on, active manager and provides investors with income and an opportunity for capital growth from a pure play portfolio of high quality Australian industrial assets.

Centuria Property Funds No. 2 Limited (CPF2L) is the Responsible Entity for the ASX-listed Centuria Industrial REIT (CIP) (ARSN 099 680 252). CPF2L is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with more than \$20 billion in total assets under management and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment bonds.

www.centuria.com.au

Summary Information

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¹ FFO is CIP’s underlying and recurring earnings from its operations. This is calculated as the statutory net profit adjusted for certain non-cash and other items

² Remains subject to unforeseen circumstances and material changes in operating conditions

³ Based on \$3.80 unit price as at 31 January 2022

⁴ NTA per unit is calculated as net assets less goodwill divided by number of units on issue

⁵ Past performance is not a reliable indicator of future performance

⁶ Return on equity calculated as (closing NTA minus opening NTA plus distributions) divided by opening NTA

⁷ Gearing is defined as total liabilities divided by total assets less goodwill

⁸ Includes Heads of Agreement (HoA)

⁹ Before transaction costs, includes assets exchanged but not settled as at 31 December 2021

¹⁰ Reflects gross increase, excluding capital expenditure incurred

¹¹ By income

¹² Includes assets exchanged but not settled as at post 31 December 2021 being; 5/243 Bradman Street, Acacia Ridge QLD; 8 Hexham Place, Wetherill Park NSW; 159-169 Studley Court, Derrimut VIC and the acquisition of 90-118 Bolinda Road, Campbellfield VIC, which was contracted in January 2022