

## FY23 Financial Results

**SYDNEY** (Monday, 14 August 2023) - Centuria Industrial REIT (**ASX: CIP**), Australia's largest listed domestic pure-play industrial REIT, has announced its Full Year financial results for the period ended 30 June 2023.

### FY23 Financial Highlights

- \$108.1m Funds From Operations (FFO)<sup>1</sup>, 17.0 cents per unit (cpu), in line with FY23 guidance
- 16.0 cents distribution per unit (dpu), in line with FY23 guidance
- 16.4% 12-month Total Shareholder Return (TSR), double the S&P/ASX-200 A-REIT Index benchmark<sup>2</sup>
- Strengthened balance sheet: 88% hedged debt, 33.1% gearing<sup>3</sup>, no debt expiry until FY25
- Diversified capital structure with \$300m exchangeable note issuance
- \$3.96 per unit Net Tangible Assets (NTA)<sup>4</sup>
- FY24 FFO guidance of 17.0 cpu and distribution guidance of 16.0cpu<sup>5</sup>, (5.1% distribution yield)<sup>6</sup>

### FY23 Portfolio Highlights

- 30% positive re-leasing spreads<sup>7</sup>, 19% at HY23 accelerating to 37% re-leasing spreads over 2HFY23
- 182,004sqm lease terms agreed<sup>8</sup>, representing 14% of portfolio GLA, continued strong leasing momentum
- c.36% of portfolio leases expire over the next three years providing opportunity to capture rental growth
- Strong portfolio metrics maintained: 7.7-year WALE with a 98.0% portfolio occupancy<sup>9</sup>,
- Progressed development pipeline, collectively bringing 57,300sqm of infill industrial space to market
- \$215m in divestment proceeds<sup>10</sup> at an average 2% premium to prior book value; new institutional investment partnership
- 19% portfolio income derived from CPI indexed leases, 98% of leases are net or triple-net
- Portfolio includes 89 high-quality industrial assets worth \$3.8billion<sup>11</sup>; 5.26% portfolio capitalisation rate

Jesse Curtis, CIP Fund Manager and Centuria Head of Industrial, said, "Throughout FY23, CIP continued to capitalise on strong leasing momentum, accelerated re-leasing spreads and maintained a robust balance sheet to deliver a solid set of results. Having a portfolio heavily weighted to urban infill markets on Australia's east coast, CIP has demonstrated outsized re-leasing spreads, increasing to 37% in the second half of the financial year<sup>7</sup>. A high leasing volume was achieved owing to CIP's strong tenant customer relationships and value-add project track record. In particular, CIP successfully leased more than 40,000sqm at the Southside Industrial Estate development.

"A proactive and well executed approach to capital management provided further strength to CIP's balance sheet during the year. Gearing was reduced throughout the period with \$215million of divestments, largely driven by a new strategic partnership and direct market transactions. The issuance of exchangeable notes diversified sources of funding, increased hedged debt and reduced CIP's exposure to interest rate volatility.

"Pleasingly, portfolio leasing and value-add projects, together with balance sheet initiatives, resulted in CIP delivering on FY23 guidance and providing a 12-month shareholder return double the S&P/ASX 200 A-REIT Index."

### FY23 Financial Results

Earnings		FY23	FY22
FFO	\$ million	108.1	111.7
FFO per unit	cpu	17.0	18.2
Distribution per unit	cpu	16.0	17.3
Statutory profit / (loss)	\$ million	(76.6)	367.5

  

Balance Sheet		FY23	FY22
Total Assets	\$ million	3,907	4,148
NTA per unit <sup>4</sup>	\$	3.96	4.24
Gearing <sup>3</sup>	%	33.1	33.2

CIP delivered FFO of \$108.1million or 17.0cpu for FY23, achieving 4.4% like-for-like Net Operating Income (NOI) (FY22:3.4%) driven by leasing success throughout the year. Distributions of 16.0cpu were in line with guidance and paid in equal quarterly instalments, representing a 5.2% distribution yield<sup>12</sup>.

During the period, CIP expanded its funding sources with a \$300million exchangeable note offering at an attractive fixed rate coupon of 3.95% and an initial conversion price 2% above NTA<sup>13</sup>. This, together with other capital management initiatives, saw 88% of the REIT's debt hedged as at 30 June 2023 (FY22:77%) providing no debt expiry until FY25 and a weighted average debt maturity of 4.1 years. The REIT also maintained its Baa2 Moody's rating and continues to maintain ample headroom to debt covenants. Strategic divestments totalling \$215million were executed with proceeds used to pay down debt, maintaining low gearing at 33.1% (covenant 50.0%) and an Interest Cover Ratio (ICR) of 3.3x (covenant 2.0x)

CIP's portfolio Weighted Average Capitalisation Rate (WACR) expanded 107bps in FY23 to 5.26%, resulting in a like-for-like portfolio valuation decline of \$153.6million or 2.1%<sup>14</sup>. The decline was concentrated around CIP's long WALE portfolio, which collectively declined 18% over the year. The remainder of the active 87-asset sub-portfolio increased in value by \$1.4million on a like-for-like<sup>14</sup> basis with leasing success and market rental growth offsetting capitalisation rate expansion.

## Property Portfolio

Portfolio Snapshot		FY23	FY22
Number of assets		89	88
Book value <sup>15</sup>	\$ million	3,839	4,101
WACR	%	5.26	4.19
Occupancy by income	%	98.0	98.8
WALE by income	years	7.7	8.3
Leases agreed GLA <sup>8</sup>	sqm	182,004	185,206

CIP continued to deliver strong leasing activity during FY23, totalling 182,004sqm across 30 transactions, representing 14% of portfolio GLA. Record low levels of vacancy and increased tenant demand for high-quality industrial space continued to drive positive re-leasing spreads averaging 30% during FY23<sup>7</sup>. CIP's portfolio has an 83% weighting to high-demand urban infill industrial markets, facilitating average re-leasing spreads of 37% during the second half of the year, up from 19% for the half to December 2022<sup>7</sup>.

Key leasing transactions included:

- Southside Industrial Estate, Dandenong South VIC: 40,544sqm multi-unit industrial estate fully leased five months prior to practical completion in November 2022.
- 149 Kerry Road, Archerfield QLD: BlueScope Steel renewed on a seven-year term across 13,774sqm
- 69 Rivergate Place, Murarrie QLD: Yamaha renewed on a five-year term across 11,353sqm

Within CIP's portfolio, 98% of leases are net or triple net leases, with property operating costs recovered from customers. Approximately 36% of portfolio leases expire by FY26, providing further opportunities to capture rental growth. Additionally, CIP continued to attract high-calibre tenant customers with 87% of rental income derived from listed, national and multinational entities.

## Value-add and Development

CIP continued to execute value-add development projects and leasing strategies during FY23 to capitalise on urban infill industrial market rental growth and drive completed projects' income returns. Completed projects included:

- Southside Industrial Estate, Dandenong VIC – a brand new 40,544sqm multi-unit industrial development
- 9 Fellowes Court, Tullamarine VIC – 4,072sqm repositioning works resulting in a 66% value uplift during the year

Active projects include:

- 90 Bolinda Road (M80 Connect), Campbellfield VIC – c.45,000sqm multi-unit industrial development underway, PC due 1HFY24
- 616 Boundary Road, Richlands QLD – c.12,500sqm repositioning works underway with terms agreed with national household name tenant customer
- 204-208 Bannister Road, Canning Vale WA – c.12,300sqm new industrial development underway, PC due 1HFY24

### Capital Transactions

\$215.4million of strategic divestments were executed during the period including a c.50% divestment of eight assets for \$180.9million, resulting in the Centuria Prime Logistics Partnership (CPLP), and the \$34.5million divestment of 30 Clay Place, Eastern Creek NSW. The divestments were transacted at an average 2% premium to prior book values. Proceeds from transactions were used to reduce CIP's debt and gearing.

Additionally, CIP executed \$31.6million worth of acquisitions in line with its land consolidation strategy. Acquisitions included 119 Studley Court, Derrimut VIC (\$12.4million), 51 Musgrave Road, Coopers Plains QLD (\$10.8million) and development land at 50-64 Mirage Road, Direk SA (\$8.4million).

### Sustainability

CIP is externally managed by Centuria Capital Group (Centuria) and aligns itself to Centuria's sustainability framework. Centuria Property Funds No 2 Limited (CPF2L) is the responsible entity for CIP and a wholly owned subsidiary of Centuria Capital Group. By the REIT's nature, CIP has no staff and is solely a portfolio of assets.

During FY23, implemented ESG initiatives specific to CIP included:

- improved MSCI ESG rating of BBB (previous B rating)
- delivered 50,600sqm of new five-star Green Star logistics space to date with another 57,300sqm expected in FY24
- launched a new sustainability target: 100% of CIP's portfolio Zero Scope 2 emissions by 2028<sup>16</sup> with portfolio sourcing 100% of its directly controlled electricity from renewable sources
- released an ESG Investment Approach, formalising the assessment of sustainable impacts when transacting
- completed NABERS Warehouse and Cold Storage pilot programme and exploring further ratings opportunities across CIP's wider portfolio
- continued partnering with not-for-profit, Healthy Heads, an organisation focused on mental health in the transport and logistics industries

Throughout FY23, Centuria implemented various ESG initiatives, which have a positive impact on CIP, including:

- increased Centuria's workplace diversity with 45%<sup>17</sup> of employees being female (41%: FY22)
- the employee engagement surveys revealed 88%<sup>18</sup> of employees are proud to work at Centuria
- continued +10-year support for St Lucy's School (students with disabilities)
- Centuria's 2023 annual sustainability report will be published in Q4 2023 further detailing the Group's strategies across Environmental, Social and Governance initiatives

### Summary & Outlook

Jesse Curtis, concluded, "CIP commences FY24 in a strong position having reinforced its balance sheet strength and maintained leading portfolio metrics driven by proactive portfolio management. Though the macroeconomic backdrop provides uncertainty, disciplined capital management and consistent portfolio leasing have reduced volatility while demonstrating market rental growth has offset capitalisation rate expansion.

"Looking ahead, Australia still holds one of the lowest industrial vacancy rates globally. Tenant demand remains resilient and, with constrained supply of new industrial space, rental growth is expected to be prolonged. Within this environment, CIP is well placed to execute its strategy with a strong balance sheet, a high-quality portfolio of industrial assets and a meaningful value-add pipeline of leasing, repositioning and development projects."

CIP provides FY24 FFO guidance of 17.0 cpu and distribution guidance of 16.0cpu<sup>5</sup>, representing a 5.1% distribution yield<sup>6</sup>, paid in equal quarterly instalments.

### FY23 Results Presentation

CIP is providing a market briefing, which will be made available via Centuria Industrial REIT's [website](#).

– Ends –

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

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*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 key urban infill markets 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 \$21 billion in total assets under management (as at 30 June 2023) and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment bonds.

[www.centuria.com.au](http://www.centuria.com.au)

### Summary Information

The following disclaimer applies to this announcement and any information contained in it (the Information). The Information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with CIP's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at [www.asx.com.au](http://www.asx.com.au). You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any Information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

### Forward Looking Statements

This announcement may include forward-looking statements. These forward-looking statements are based on CIP's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of CIP, which could cause actual results to differ materially from such statements. CIP makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of this announcement.

<sup>1</sup> 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

<sup>2</sup> Source: MA Financial Group. Total Securityholder return (TSR) equals change in unit price during the period, plus distributions declared. Past performance is not a reliable indicator of future performance

<sup>3</sup> Gearing is defined as total interest bearing liabilities divided by total assets

<sup>4</sup> NTA per unit is calculated as net assets divided by number of units on issue

<sup>5</sup> Guidance remains subject to unforeseen circumstances and material changes in operating conditions, and assumes the average floating rate is based on a BBSW rate of 4.6% over FY24

<sup>6</sup> Annualised yield based on CIP unit closing price of \$3.15 on 10 August 2023

<sup>7</sup> On a net rent basis compared to prior passing rents

<sup>8</sup> Includes heads of agreement (HOA)

<sup>9</sup> By income

<sup>10</sup> Before transaction costs

<sup>11</sup> At CIP ownership share of joint venture assets

<sup>12</sup> Annualised yield based on CIP unit closing price of 3.10 on 30 June 2022

<sup>13</sup> 2% initial conversion premium to the prevailing NTA at the time of issuance (\$4.08 per unit). Full terms and conditions on the issuance of the Exchangeable Notes were announced on 16 February and 17 February 2023

<sup>14</sup> On a like for like basis, excludes capital expenditure incurred

<sup>15</sup> FY23 at CIP ownership of joint venture assets

<sup>16</sup> Centuria will account for zero Scope 2 emissions by being powered by the equivalent of 100% renewable electricity through a combination of onsite solar and largescale generation certificate deals which match our consumption

<sup>17</sup> Diversity numbers as at 30 June, 2023 are representative of Centuria Capital Group

<sup>18</sup> Centuria Capital Group undertake regular employee engagement surveys. The reported figure is from the May 2023 survey results