



Australian Securities Exchange - Company Announcements Platform

## Centuria Property Funds No. 2 Limited

### CENTURIA INDUSTRIAL REIT

#### De-leveraging and further leasing activity

Sydney, 4 June 2018:

Centuria Property Funds No. 2 Limited (CPF2L) as Responsible Entity of Centuria Industrial REIT (CIP) today releases an operational update for results achieved since 31 March 2018.

#### Key Highlights

- CIP's gearing to reduce to 37.2%<sup>1</sup> as a result of an accelerated de-leveraging program, driven by:
  - Revaluation gain of \$27.4 million<sup>2</sup> from 10 external valuations, reflecting a 10.8% increase on assets re-valued
  - Divestment of 6 Albert Street, Preston, VIC for \$30.1 million, a 10.7% premium to prior valuation
- As a result of the above initiatives CIP's NTA will increase by 12 cents to \$2.58<sup>1</sup> per unit, an overall increase of 23 cents or 9.8% since June 2017
- Continued leasing success with 22,041sqm of leases<sup>3</sup> agreed since 31 March 2018, taking year to date leasing to 236,019sqm, reflecting 32.1% of the portfolio's lettable area<sup>4</sup>
- FY19 distributable earnings guidance provided, reflecting impact of de-leveraging strategy

Ross Lees, CIP Trust Manager commented: "Today's positive results demonstrate our ability to create unitholder value and the benefits of our active management and leasing focus across CIP's portfolio. The sale of 6 Albert Street, Preston, VIC, at a significant premium to book value has provided an opportunity to accelerate CIP's de-leveraging program whilst adding value for unitholders and further improving the portfolio's near term lease expiry profile."

#### Independent Valuations

CIP has undertaken external valuations of 10 assets as at 30 June 2018, the majority of which have benefited from major leasing outcomes over the past six months. The independent valuations have resulted in an increase of \$27.4 million<sup>2</sup> or 10.8% on the assets' 31 December 2017 book values.

The properties revalued are located in New South Wales and Victoria, with the weighted average capitalisation rate on these assets reducing from 6.94% to 6.30%.

Ross Lees commented: "This positive revaluation outcome was driven by strong leasing results with the largest movements coming from assets that have benefited from significant leasing activity in the past six months."

### Asset Sale

On 15 May 2018, CIP exchanged contracts for the divestment of 6 Albert Street, Preston, Victoria. The price of \$30.1 million reflects a premium of 10.7% to CIP's last external valuation with settlement expected to occur in June 2018.

Proceeds of the sale will be used to retire debt and reduce CIP's gearing.

Ross Lees commented: "Since January 2017 we have divested \$60 million of assets with short WALE's or high vacancy for an average 9.3% premium to book value, improving both the overall quality of the portfolio and reducing ongoing leasing risk.

"The divestment of this asset demonstrates our commitment to recycle out of assets with near term leasing risks where we can achieve good pricing outcomes. The property has a WALE of 2.3 years<sup>5</sup> with approximately 80% of the lettable area expiring in FY20. Under Centuria's management, we improved occupancy to 100% and expect to deliver an unlevered IRR of 18%pa<sup>6</sup> to CIP unitholders."

### Reduced Gearing

As a result of the sale of 6 Albert Street, Preston, VIC (\$30.1m), combined with the pending sale of 39-45 Wedgewood Drive, Hallam, VIC (\$10.0m) and the announced re-valuations (\$27.4m) CIP's pro forma gearing has reduced by 5.9% since June 2017 to 37.2%<sup>1</sup>.

Ross Lees commented: "With de-leveraging being a key objective, we are pleased to have been able to execute our strategy in an accelerated manner through a combination of the strategic divestment of 6 Albert Street, Preston and strong revaluations driven by leasing success.

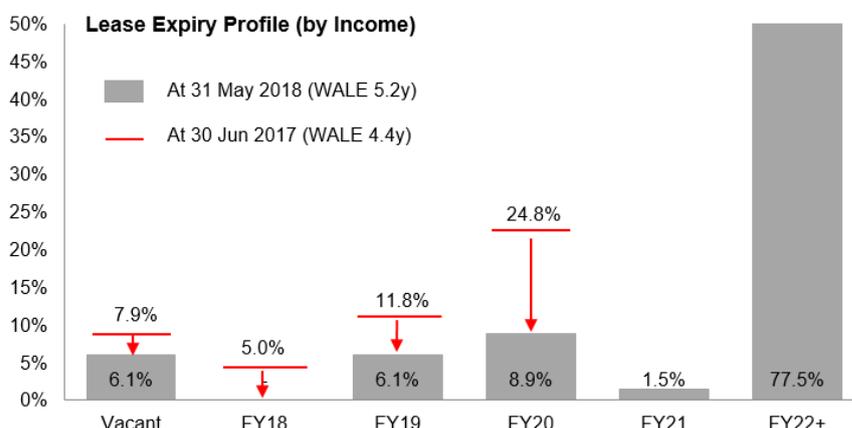
"This is the first occasion since the IPO of CIP (formerly TIX) in 2012 that gearing will fall below 40% and is a clear demonstration of Centuria's commitment to prudent capital management."

### Leasing Update

Over the two month period to 31 May 2018, terms have been agreed<sup>3</sup> for further leasing over 22,041sqm of lettable area. As a result of these leases, and following asset sales CIP will have less than 7% of its portfolio expiring in FY19.

Major leasing transactions include:

- 12-13 Dansu Court, Hallam, VIC (11,526sqm): Lease signed with Dormakaba for a ten year lease over 100% of the property. The new lease will commence immediately after the vacation of DKSH in October 2018
- 6 MacDonald Road, Ingleburn, NSW (5,190sqm): Terms agreed with Australia Post for a five year renewal, reducing FY19 lease expiry





### **FY19 Guidance and Summary**

CIP is providing FY19 distributable earnings guidance of 18.5-19.0 cents per unit, with distributions forecast of 18.4 cents per unit. The distribution guidance provided for FY19 reflects CIP's accelerated de-leveraging program with funds from asset sales being used to retire debt and position CIP for further growth initiatives.

Based on the current price of \$2.55 per unit<sup>7</sup>, CIP forecasts a 7.2% FY19 distribution yield.

Ross Lees commented: "The successful acceleration of CIP's de-leveraging program is a key milestone for the REIT and reflects our ongoing commitment to prudent capital management. It is particularly pleasing that record leasing activity has driven significant revaluation gains over the past 12 months whilst we have recycled out of short WALE assets at significant premiums to book value. This activity has significantly increased CIP's NTA whilst transforming the lease expiry profile by eliminating a number of near term expiry risks."

**- Ends -**

### **For further information, please contact:**

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### **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 exceeding \$1 billion, 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 \$3.8 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 \$4.7 billion in funds under management.

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

<sup>1</sup> On a 31 December 2017 pro forma basis, and excludes capital expenditure incurred since 31 December 2017. Gearing is defined as total borrowings minus cash / total assets minus cash and goodwill.

<sup>2</sup> Reflects gross increase, does not take account of capital expenditure incurred since 31 December 2017

<sup>3</sup> Includes leasing deals at Heads of Agreement

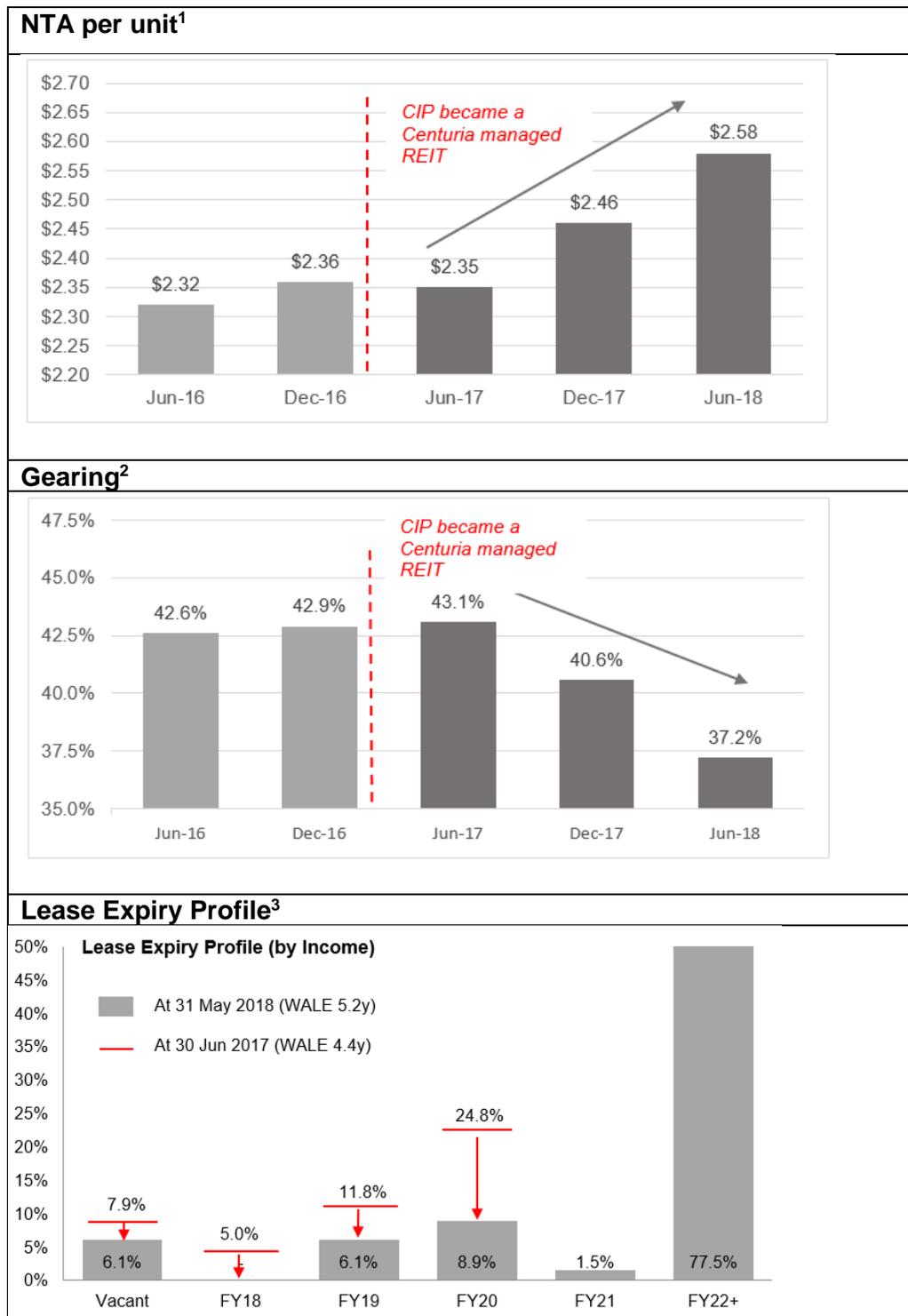
<sup>4</sup> Portfolio GLA adjusted to reflect pending asset sales at 6 Albert Street, Preston and 39-45 Wedgewood Drive, Hallam

<sup>5</sup> By income

<sup>6</sup> IRR calculated on an unleveraged basis, commencing from commencement of Centuria as manager in January 2017

<sup>7</sup> Based on CIP closing price of \$2.55 per unit on 4 June 2018

## Annexure – Key Portfolio Metrics



Past performance is not an indicator of future performance

<sup>1</sup> NTA for 30 June 2018 is shown on a 31 December 2017 pro-forma basis and excludes capital expenditure incurred since 31 December 2017

<sup>2</sup> On a 31 December 2017 pro forma basis, and excludes capital expenditure incurred since 31 December 2017. Gearing is defined as total borrowings minus cash / total assets minus cash and goodwill.

<sup>3</sup> As at 31 May 2018, adjusted to reflect pending asset sales at 39-45 Wedgewood Drive, Hallam, VIC and 6 Albert Street, Preston, VIC.



## Disclaimer

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