Centuria Industrial REIT

Strategic Acquisitions and Equity Raising

ASX:CIP | 27 June 2019

Not for release to U.S. wire services or distribution in the United States

Contents

680 BOUNDARY ROAD, RICHLANDS QLD

Strategic acquisitions and equity raising overview

Centuria

Acquisitions

- Centuria Property Funds No.2 Limited (CPF2L), as Responsible Entity of Centuria Industrial REIT (CIP), has entered into agreements to acquire three high quality industrial assets (the Acquisitions) for $59.3 million (excluding costs)
  - The purchase price represents an initial yield of 7.8%[1] and weighted average cap rate of 7.12%, and is supported by independent valuations

Properties	State	Purchase price	Initial yield	Cap rate	GLA (sqm)	WALE (yrs)[2]	Occupancy[2]
North Geelong	VIC	$22.8m	8.2%	6.75%	21,772	4.3	100%
Richlands	QLD	$19.5m	7.4%	7.00%	12,633	3.3	100%
Hemmant	QLD	$17.0m	n.a.	7.75%	12,553	n.a.	0%
Total / weighted average		**$59.3m**	**7.8%[1]**	**7.12%**	**46,958**	**3.9[1]**	**65%**

- Acquisitions are consistent with CIP's strategy to invest in fit for purpose assets in key metropolitan locations
  - ✓ North Geelong and Richland are both 100% leased, providing an attractive yield of 7.8% and a WALE of 3.9 years
  - ✓ Immediate opportunity to add value through repositioning and leasing at Hemmant
  - ✓ Increases total portfolio size to $1.3 billion
  - ✓ Reinforces CIP's profile as Australia's largest domestic pure play industrial REIT

Equity raising

- To fund the Acquisitions, CIP is undertaking an underwritten institutional placement to raise $70 million (Placement) at an issue price of $3.05 per unit
- CIP is also undertaking a non-underwritten unit purchase plan (UPP) to eligible unitholders in Australia and New Zealand to raise up to $5 million[3]

1. Excludes Hemmant, QLD
2. By income
3. CIP may (in its absolute discretion) in a situation where total demand exceeds $5 million, decide to increase the amount to be raised under the UPP to reduce or eliminate the need for scaleback. CIP reserves the right to scale back applications under the UPP at its discretion

Capital management initiatives and financial impact

Capital management initiatives

- As part of ongoing capital management, CIP has agreed to:
  - Refinance $160m of its overall $520m facility to two new 3 year and 5 year tranches, increasing the tenor of that tranche by 2.7 years
  - Reset $110m of existing interest rate swaps to capitalise on the low interest rate environment
- CIP now has no debt expiring until FY22

Valuation update

- CIP has independently revalued 9 of its existing 42 properties as at 30 June 2019, resulting in an increase of $24.1m[1], or 8.5% on prior valuations, and reflecting 32 bps of capitalisation rate compression on those properties
- Portfolio weighted average capitalisation rate firmed 8 bps to 6.46%

Financial impact

- To more closely align itself with industry standards and PCA guidelines[2], CIP will report on a Funds from Operations (FFO)[3] basis going forward with its distribution policy based on 90–100% of FFO
- Including the impact of the Acquisitions and Placement, CIP provides the following guidance:
  - FY19 FFO per unit of 19.3 cents
  - FY19 distributable earnings per unit (EPU) of 18.8 cents, above the mid-point of previous guidance[4]
  - FY19 distribution per unit (DPU) of 18.4 cents
  - FY20 FFO per unit growth of 2–3% over FY19 FFO
- CIP's pro forma gearing reduces to 34.9%
  - Disciplined approach to capital management has positioned CIP strongly for future growth opportunities

1. Reflects gross revaluations, does not include capital expenditure incurred
2. Property Council of Australia's Voluntary Best Practice Guidelines for Disclosing FFO and AFFO, December 2017
3. The calculation of FFO excludes rental abatements and rent free periods, which are included by CIP in the calculation of distributable earnings
4. Previous EPU guidance of 18.5 – 19.0 cents per unit

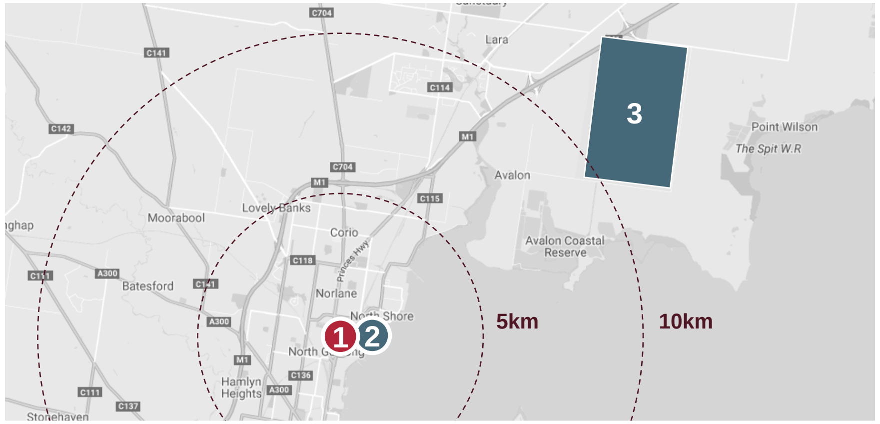
ACQUISITIONS OVERVIEW

75-95 & 105 Corio Quay Road, North Geelong, VIC

Centuria

- Asset comprises two buildings on a 3.8 hectare site
- Leased to a subsidiary of Boardriders Inc.
- Strategic location for Boardriders, which has occupied the property since the early 1990s and has invested significant capital expenditure into the facilities
- Well located directly opposite the Geelong Port and within 10kms of Avalon Airport

PROPERTY SNAPSHOT	
Title	Freehold
Ownership	100%
Purchase price	$22.8m
Capitalisation rate	6.75%
Initial yield	8.2%
Occupancy by income	100%
WALE by income[1]	4.3 years
Site area	3.8 hectares
GLA	21,772 sqm



KEY LANDMARKS

1. Acquisition property
2. Port of Geelong
3. Avalon Airport

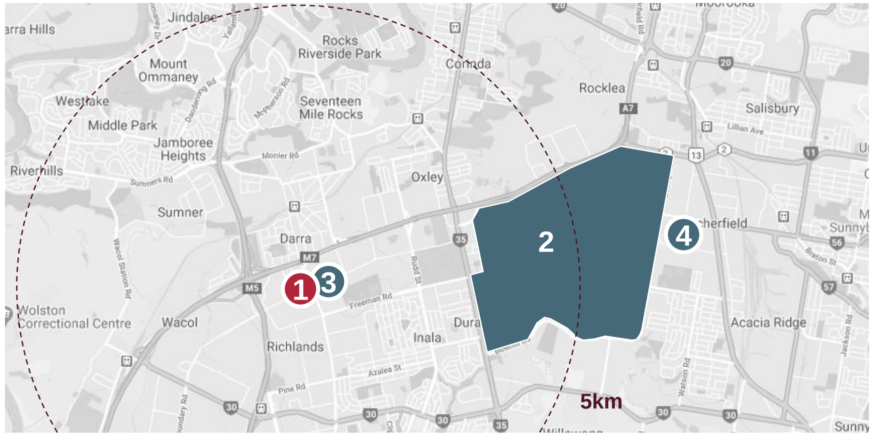
1. As at 30 June 2019

680 Boundary Road, Richlands, QLD

Centuria

- High quality asset completed in 2008, occupying a total area of 2.2 hectares
- Fully leased to MDI, a specialist developer and distributor of gifts, toys and homewares, and Independent Liquor Group, Australia's largest liquor co-operative
- Close to recently acquired 616 Boundary Road, adding scale within the Richlands market

PROPERTY SNAPSHOT	
Title	Freehold
Ownership	100%
Purchase price	$19.5m
Capitalisation rate	7.00%
Initial yield	7.4%
Occupancy by income	100%
WALE by income[1]	3.3 years
Site area	2.2 hectares
GLA	12,633 sqm



KEY LANDMARKS

1. Acquisition property
2. Archerfield Airport
3. 616 Boundary Road (existing CIP asset)
4. 149 Kerry Road (existing CIP asset)

1. As at 30 June 2019

Hemmant, QLD

Centuria

- Acquired as vacant possession with an opportunity to immediately reposition through capital works and leasing
- CIP has commenced marketing the site to prospective tenants ahead of settlement and expects low vacancy in the precinct to drive leasing enquiry at the property
- 4.8 hectare site with low site coverage of 28%, with the acquisition largely underpinned by land value
- Well located within the prime Port of Brisbane precinct, and in close proximity to Brisbane Airport

PROPERTY SNAPSHOT	
Title	Freehold
Ownership	100%
Purchase price	$17.0m
Capitalisation rate	7.75%
Initial yield	n.a.
Occupancy by income	0%
WALE by income	n.a.
Site area	4.8 hectares
GLA	12,553 sqm

KEY LANDMARKS

1. Acquisition property
2. Brisbane Airport
3. Port of Brisbane
4. Brisbane CBD

Case studies

Centuria

Lot 14 Sudlow Rd, Bibra Lake, WA

- Acquired in September 2017 at a purchase price of $28.0m with a WALE[1] of 2.7 years
- Adjoins 310 Spearwood Avenue, Bibra Lake, WA, with both assets occupied by same tenant – Australian Wool Handlers (AWH)
- Leveraged existing relationship with AWH, to secure a new 7 year & 10 month lease prior to settlement
- Valuation uplift of $5.7m in less than 2 years with asset valued at $33.7m as at 31 December 2018

103 Stirling Crescent, Hazelmere, WA

- Acquired in December 2018 with a WALE[1] of 1.3 years
- Land rich asset with purchase price underpinned by land value
- Engaged existing tenant, Actionblast, prior to settlement with a view to renewing the lease
- Successfully agreed terms for a 3 year renewal, extending term to March 2023

1. By income

Sources and uses of proceeds

Centuria

SOURCES OF PROCEEDS	$m
Placement proceeds	70.0
Drawn debt	8.2
Total sources	**78.2**

USES OF PROCEEDS	$m
Acquisitions	59.3
Capital management and expenditure[1]	12.4
Stamp duty	3.5
Other transaction costs	3.0
Total uses	**78.2**

- The Acquisitions, capital works and associated transactions costs will be funded by a $70 million Placement and $8.2 million of existing debt facilities
- Any proceeds raised under the non-underwritten UPP to raise up to $5 million will be used to reduce debt
- CIP's pro forma gearing will be reduced to 34.9% following the Acquisitions and Placement, positioning CIP strongly for future growth opportunities
- CIP has also restructured existing debt facilities and swaps to increase tenure and reduce the weighted average cost of debt
  - Refer to Appendix B for details

1. Includes capital works and leasing costs at Hemmant, QLD and North Geelong, VIC, and costs associated with ongoing capital management initiatives outlined on page 18

Equity raising details

Equity raising structure	• Fully underwritten institutional placement to raise $70 million • Non-underwritten unit purchase plan to eligible unitholders in Australia and New Zealand to raise up to $5 million[1]
Pricing	• Issue price of $3.05 per unit, representing a: – 3.0% discount to the distribution-adjusted last close price of $3.14 on 26 June 2019[2] – 3.2% discount to the distribution-adjusted 5 day VWAP of $3.15 on 26 June 2019[3] – 6.5% FY20 FFO per unit yield[4]
Ranking	• Units issued under the Placement and UPP will rank equally with existing CIP units from the date of issue, however as they are issued after the record date, new units will not be entitled to the distribution for the quarter ending 30 June 2019
Underwriting	• The Placement is fully underwritten by Moelis Australia Advisory Pty Ltd and UBS AG, Australia Branch
Unit Purchase Plan	• Eligible unitholders in Australia and New Zealand will be invited to subscribe for up to $15,000 in additional units, free of any brokerage or transaction costs, at the same issue price as under the Placement of $3.05 per unit • The UPP is expected to raise up to $5 million[1] and will not be underwritten

1. CIP may (in its absolute discretion) in a situation where total demand exceeds $5 million, decide to increase the amount to be raised under the UPP to reduce or eliminate the need for scaleback. CIP reserves the right to scale back applications under the UPP at its discretion
2. Based on the last close price of $3.19 adjusted for the distribution for the quarter ending 30 June 2019 of 4.6 cents per unit
3. Based on the 5 day volume weighted average price (VWAP) adjusted for the distribution of 4.6 cents per unit
4. Based on the mid-point of FY20 FFO guidance of 2–3% growth on FY19

Indicative timetable

KEY EVENT	DATE[1]
Record date for UPP	7:00pm, Wednesday, 26 June 2019
Trading halt and announcement of the Acquisitions and Equity Raising	Thursday, 27 June 2019
Trading re-commences	Friday, 28 June 2019
June 2019 quarter distribution record date	Friday, 28 June 2019
Settlement of the Placement	Tuesday, 2 July 2019
Issue and ASX quotation of New Units issued under the Placement	Wednesday, 3 July 2019
Expected dispatch of UPP offer booklet to eligible unitholders	Tuesday, 9 July 2019
UPP offer opening date	9:00am, Tuesday, 9 July 2019
UPP offer closing date	5:00pm, Tuesday 30 July 2019
Issue of New Units issued under the UPP	Tuesday, 6 August 2019
ASX quotation of New Units issued under the UPP	Wednesday, 7 August 2019

1. All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Australian Eastern Standard Time (AEST). Any changes to the timetable will be posted on CIP's website at www.centuria.com.au

Australia's largest domestic pure-play industrial REIT

Centuria

45
High quality assets

$1.3bn
Portfolio value

95.7%
Occupancy[1]

4.3 years
Portfolio WALE[1]

34.9%
Pro forma gearing[2]

$2.74
Pro forma NTA[3]

$934m
Market capitalisation[4]

6.5%
FY20 FFO yield[5]

1. Pro forma occupancy and WALE calculated by income as at 30 June 2019
2. Gearing is as total borrowings less cash divided by total assets less cash and goodwill
3. NTA per unit is calculated as net assets less goodwill divided by closing units on issue
4. Calculation based on CIP's market capitalisation of $864 million on 26 June 2019 adjusted for the Placement size of $70 million
5. Based on FY19 FFO per unit of 19.3 cents, FY20 FFO per unit at the midpoint of the guidance range and the issue price of $3.05

Appendices

A Portfolio metrics

B Pro forma balance sheet and capital management initiatives

C Key risks

D International offer jurisdictions

APPENDIX A

Portfolio metrics

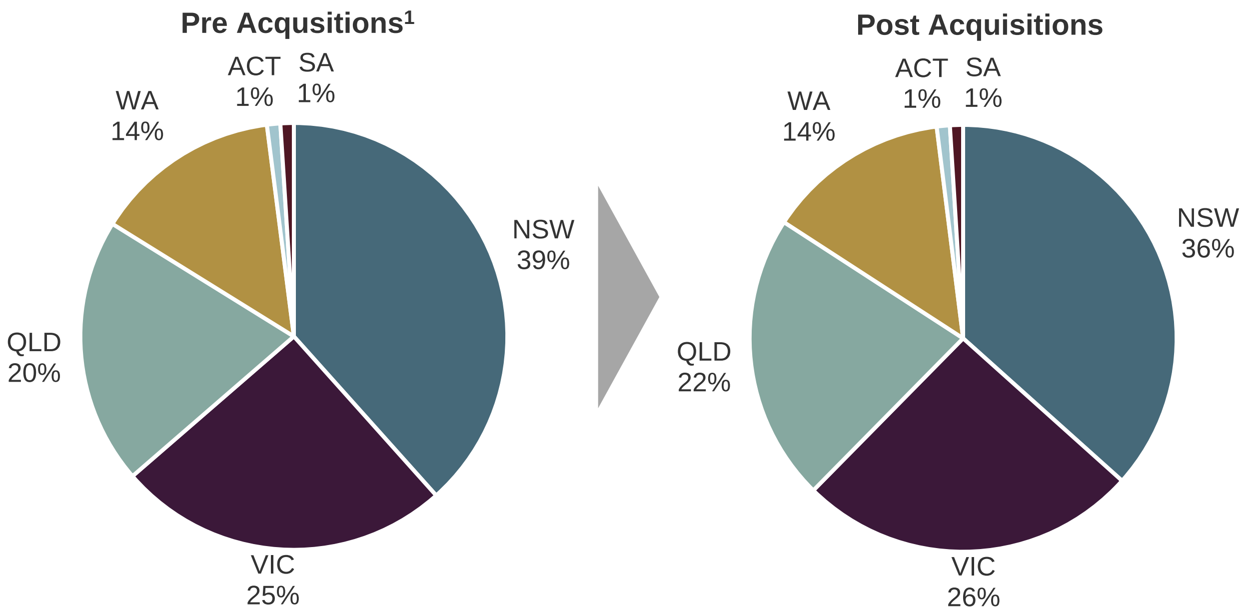
75-79 & 105 CORIO QUAY ROAD, NORTH GEELONG

Portfolio metrics

Centuria

PORTFOLIO	PRE ACQUISITIONS[1]	POST ACQUISITIONS
Number of properties	42	45
Portfolio valuation	$1,197m	$1,256m
Weighted average capitalisation rate	6.46%	6.50%
Occupancy[2]	97.3%	95.7%
WALE[2]	4.4 years	4.3 years

GEOGRAPHIC DIVERSIFICATION



1. Pro forma as at 30 June 2019, including $24.1m gross revaluation gain (excludes capital expenditure incurred)
2. Pro forma occupancy and WALE calculated by income, as at 30 June 2019

APPENDIX B

Pro forma balance sheet and capital management initiatives

75-79 & 105 CORIO QUAY ROAD, NORTH GEELONG

Pro forma balance sheet

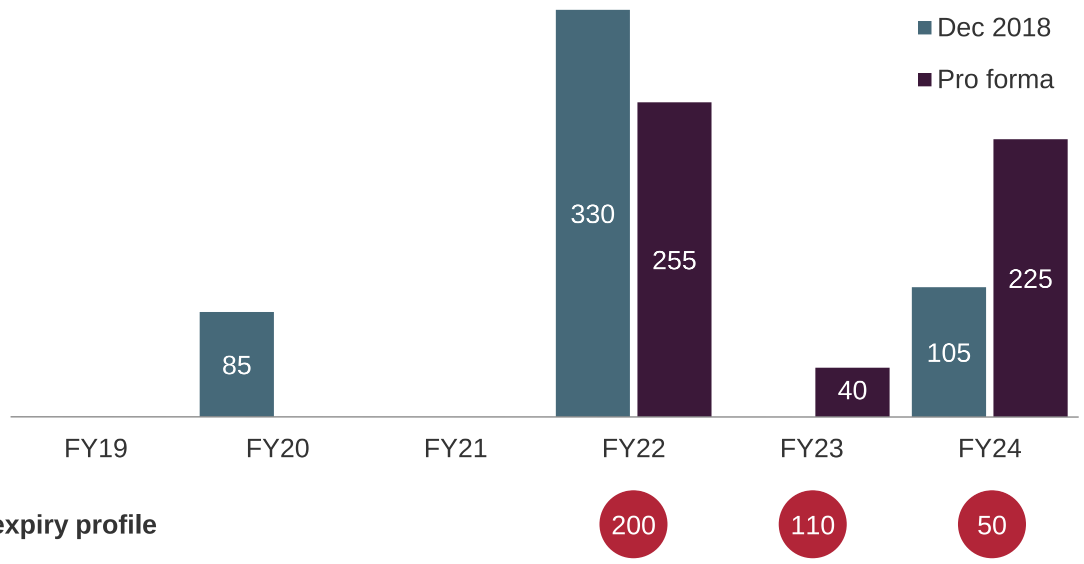
$m	31 DEC 2018	POST-BALANCE DATE ACQUISITION AND REVALS[1]	DRP	PRO FORMA 31 DEC 2018 (PRE)	ACQUISITIONS & EQUITY RAISING	CAPITAL MANAGEMENT & EXPENDITURE	PRO FORMA 31 DEC 2018 (POST)
Cash	25.5			25.5			25.5
Investment properties	1,154.7	42.2		1,196.9	59.3	10.0	1,266.2
Trade and other receivables	4.0			4.0			4.0
Other assets	2.5			2.5			2.5
Goodwill	10.5			10.5			10.5
Total assets	**1,197.1**	**42.2**		**1,239.3**	**59.3**	**10.0**	**1,308.6**
Interest bearing liabilities[2]	453.1	19.1	(12.3)	459.9	(4.2)	12.4	468.1
Distributions payable	12.3			12.3			12.3
Payables	11.5			11.5			11.5
Derivatives – Liabilities	0.7			0.7		(0.7)	
Total liabilities	**477.5**	**19.1**	**(12.3)**	**484.3**	**(4.2)**	**11.7**	**491.8**
Net assets	719.6	23.1	12.3	755.0	63.5	(1.7)	816.8
Less: Intangible assets	(10.5)			(10.5)			(10.5)
Net tangible assets	**709.1**	**23.1**	**12.3**	**744.5**	**63.5**	**(1.7)**	**806.3**
Units on issue	266.8		4.1	270.8	23.0		293.8
NTA / unit ($)[3]	**2.66**			**2.75**			**2.74**
Gearing[4]	**37.0%**			**36.2%**			**34.9%**

1. Reflects CIP's acquisition of 16-18 Baile Road, Canning Vale, WA for $18.1m (excluding costs) and gross revaluation gain of $24.1m (excludes capital expenditure incurred)
2. Drawn debt net of borrowing costs
3. NTA per unit is calculated as net assets less goodwill divided by closing units on issue
4. Gearing is as total borrowings less cash divided by total assets less cash and goodwill

Capital management initiatives

- As part of ongoing capital management initiatives, CIP has agreed to:
  - Refinance $160m of its overall $520m facility to two new 3 year and 5 year tranches, increasing the tenor of that tranche by 2.7 years
  - Reset $110m of existing interest rate swaps to capitalise on the low interest rate environment
- CIP has no debt expiring until FY22

DEBT AND HEDGE MATURITY PROFILES ($m)



Hedge expiry profile

KEY DEBT METRICS

	DEC 2018	JUN 2019
Facility limit ($m)	520.0	520.0
Drawn amount ($m)	454.8	469.6[4]
Weighted average debt expiry (years)	3.3	3.6
Proportion hedged	79.2%[1]	76.7%
Weighted average hedge maturity (years)	3.3[1]	3.1
Cost of debt[2]	3.8%	3.6%
Gearing[3]	37.0%	34.9%[4]

1. Reflects new hedging entered into on 31 January 2019. Includes fixed debt, which matures in FY22
2. Including weighted average swap rate, facility establishment fees and all-in margins (base & line fees)
3. Gearing is defined as total borrowings less cash divided by total assets less cash and goodwill
4. Pro forma as at 31 December 2018 including the adjustments outlined on page 17

APPENDIX C

Key risks

Key risks

Underwriting risk

CPF2L as responsible entity of CIP has entered into an underwriting agreement with the Underwriters for the Offer (Underwriting Agreement). The Underwriters' obligation to underwrite the Offer is subject to customary terms and conditions, including termination rights for the Underwriters in specific circumstances.

Capital expenditure risk

CIP is responsible for capital repairs at its properties (including at its properties where it has a leasehold interest). CIP may incur capital expenditure costs for unforeseen structural problems arising from a defect in a property or alterations required due to changes in statutory and compliance requirements (such as changes to environmental, building or safety regulations and standards). Over time, capital expenditure will be required to maintain the properties, and also to improve the properties or to install market-standard equipment, technologies and systems to retain and attract tenants. There is a risk that this capital expenditure could exceed the expenditure forecasted which may result in increased funding costs, lower distributions and property valuation write-downs.

General economic conditions

CIP's financial performance, and the market price of CIP units, is influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions, government fiscal, monetary and regulatory policy changes in gross domestic product and economic growth, employment levels and consumer spending, consumer and investment sentiment and property market volatility. Prolonged deterioration in any or all of these conditions, an increase in the cost of capital or a decrease in consumer demand, could have a materially adverse impact on CIP's financial performance.

Inflation

Higher than expected inflation rates generally or specific to the property sector could be expected to increase operating costs and development costs.

Litigation and disputes

Disputes or litigation may arise from time to time in the course of business activities. There is a risk that material or costly disputes or litigation could adversely affect financial performance and the value of CIP units.

Occupational health and safety

CIP is subject to laws and regulations governing health and safety matters. Failure to comply with the necessary occupational health and safety requirements across the jurisdictions in which CIP operates could result in fines, penalties and compensation for damages as well as reputational damage.

Market risks
Investors should be aware that the market price of CIP units and the future distributions made to CIP unitholders may be influenced by a number of factors that are common to most listed investments, some of which are beyond CIP's control. At any point in time, these may include:

- the Australian and international economic outlook;
- movements in the general level of prices on international and local equity and credit markets;
- changes in economic conditions including inflation, recessions and interest rates;
- changes in market regulators' policies and practice in relation to regulatory legislation;
- changes in government fiscal, monetary and regulatory policies; and
- the demand for CIP units.

The market price of CIP units may therefore not reflect the underlying NTA of CIP.

Other factors

Other factors that may affect CIP's performance include changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets including as a result of terrorist attacks or war.

Key risks

Centuria

Leasing terms and tenant defaults

The future financial performance of CIP will largely depend on its ability to lease properties that become vacant on expiry of leases, on economically favourable terms. Insolvency or financial distress of any of the tenants may reduce the income received from the assets. In particular, Hemmant is currently vacant and the guidance figures provided assume it is leased during FY20.

Liquidity of property investments

The nature of investments in property assets may make it difficult to generate liquidity in the short term if there is a need to respond to changes in economic or other conditions.

Asset values

Asset values are affected by many factors including prevailing market conditions, risk appetite, volume of sales, the ability to procure tenants, contracted rental returns, operating, maintenance and refurbishment expenses and the funding environment.
Asset value declines may increase gearing levels and their proximity to covenant limits.

Counterparty/Credit risk

CIP is exposed to the risk that third parties, such as tenants, developers, service providers and counterparties to other contracts may not be willing or able to perform their obligations.

Fixed nature of costs

Many costs associated with the ownership and management of property assets are fixed in nature. The value of assets may reduce if the income from the asset declines and these fixed costs remain unchanged.

Insurance

CIP purchases insurance, customarily carried by property owners and managers, which provides a degree of protection for its assets, liabilities and people. Such policies include material damage of assets, contract works, business interruption, general and professional liability and workers compensation. There are however certain risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake).
CIP also faces risk associated with the financial strength of its insurers to meet indemnity obligations when called upon, which could reduce earnings.

Force majeure risk

There are some events that are beyond the control of CIP or any other party, including acts of God, fires, floods, earthquakes, wars, strikes and acts of terrorism. Some force majeure risks are effectively uninsurable, and if such events occur they may have materially adverse effects on CIP.

Regulatory issues and changes in law

CIP is exposed to the risk that there may be changes in laws that negatively affect financial performance (such as by directly or indirectly reducing income or increasing costs).

Competition

CIP faces competition from within the A-REIT sector, and also operates with the threat of new competition entering the market. The existence of such competition may have an adverse impact on CIP's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis, which in turn may negatively affect CIP's financial performance and returns to its investors.

Environmental

A-REITs are exposed to a range of environmental risks, which may result in project delays or additional expenditure. In such situations, they may be required to undertake remedial works and potentially be exposed to third party liability claims and/or environmental liabilities such as penalties or fines.

APPENDIX D

International offer jurisdictions

International offer restrictions

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- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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To be updated by Andrew Reilly of Baker McKenzie