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Centuria Property Funds No. 2 Limited

CENTURIA INDUSTRIAL REIT

2018 Goldman Sachs Small and Mid-Cap Conference Presentation

Sydney 18 April 2018,

Centuria Property Funds No. 2 Limited (**CPF2L**) as Responsible Entity of Centuria Industrial REIT (**ASX:CIP**) provides a presentation that will be used at the Goldman Sachs ninth annual Small and Mid-Cap Conference being held today in Sydney.

– Ends –

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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 \$3.7 billion of funds under management in 17 unlisted property funds, one open-ended diversified property fund and two listed REITs.

CNI is an ASX-listed specialist investment manager with \$4.6 billion in funds under management.

www.centuria.com.au

Centuria Industrial REIT

Goldman Sachs Small and Mid-Cap Conference



1

Overview

2

Portfolio
Overview

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Summary



Section 1

Overview

Centuria Capital

ASX-listed specialist investment manager

Centuria Capital Group

\$4.6_b

Assets Under Management^{1,2}



Property fund management

\$3.7_b

Assets Under Management^{1,2}

Listed Property \$2.0b¹

Industrial REIT
(CIP)

\$1.1_b

Assets Under Management

Office REIT
(CMA)

\$0.9_b

Assets Under Management¹

Unlisted Property \$1.7b²

17 fixed
term funds

Centuria Diversified
Property Funds

Investment Bonds

\$0.9_b

Assets Under Management

1. Includes 31 Kendall Street, Williams Landing, VIC, as if complete

2. Includes post 31 December 2017 acquisitions

3. Above chart at 31 December 2017

CIP, Australia's largest ASX listed income focused industrial REIT

Key Metrics at 31 December 2017



39

High quality assets



\$1.0b

Portfolio value



\$608m

Market capitalisation¹



40.6%

Gearing³



95.9%

Portfolio occupancy⁴



4.9yrs

Portfolio WALE⁴



19.4cpu

FY18 distribution guidance



7.9%

FY18 forecast distribution yield¹

6.7%²

12 month total unit holder return
outperforming S&P/ASX300
A-REIT Index at -0.1%²

1. Based on CIP closing price of \$2.45 on 31 March 2018

2. Source: Moelis & Company

3. Gearing is defined as total borrowings minus cash / total assets minus cash and goodwill

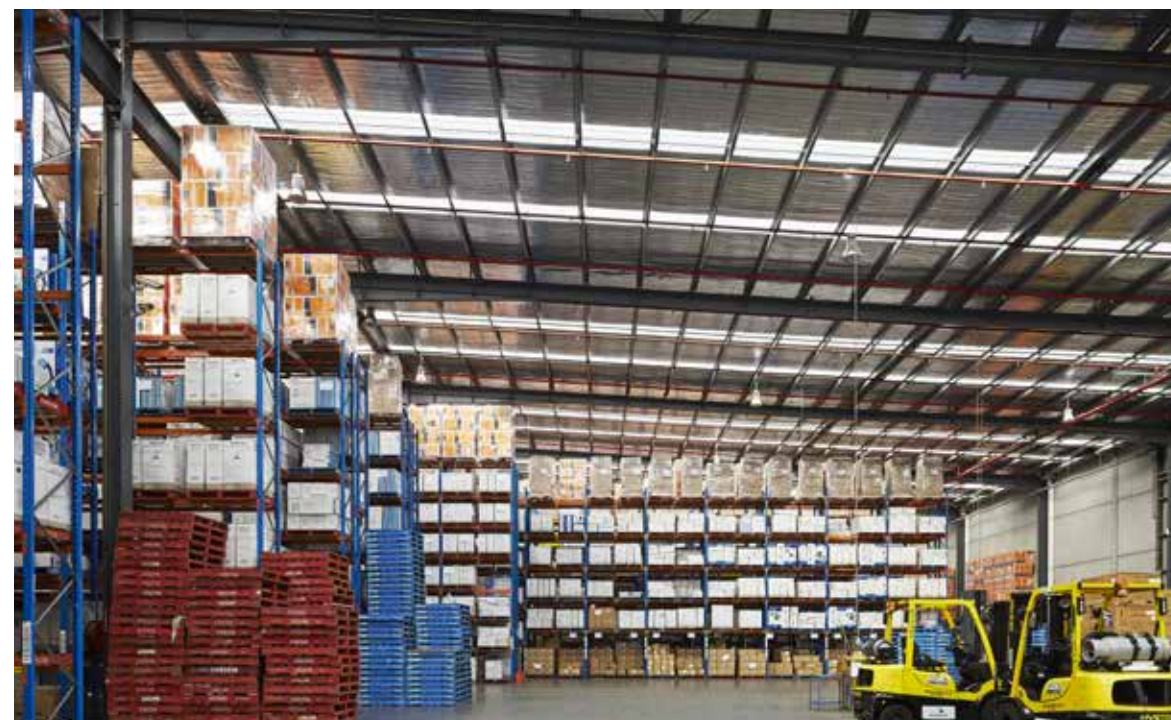
4. By income

Strategy

CIP has a simple strategy – to deliver income and capital growth to investors from a portfolio of high quality Australian industrial assets; by

- focusing on ‘fit for purpose’ assets that are relevant to our quality customer base
- anticipating and meeting the needs of our customers to ensure high retention and occupancy
- Re-positioning assets to maximise value to unit holders

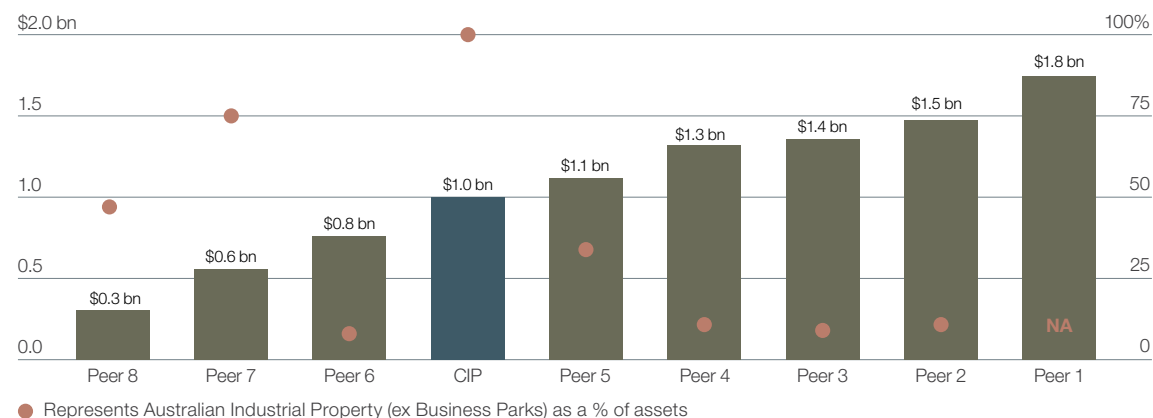
24-32 Stanley Drive Somerton, VIC



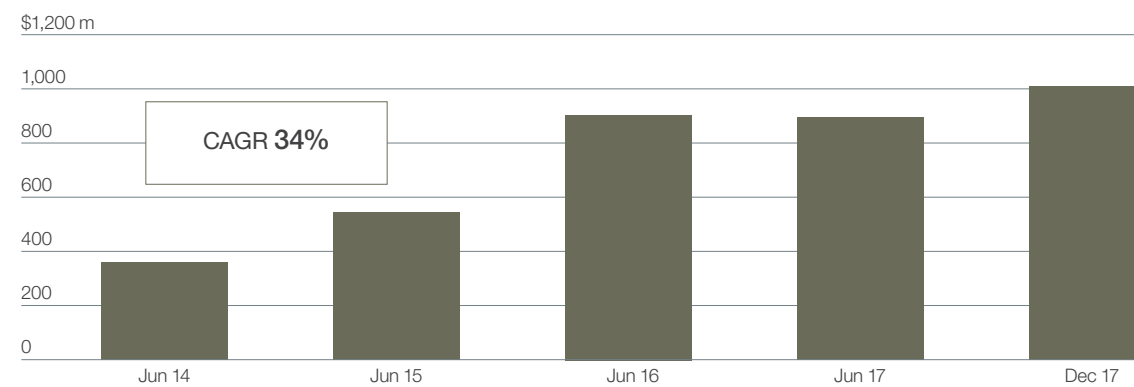
Australia's largest ASX listed income focused industrial REIT

- Only ASX listed REIT with 100% exposure to Australian industrial real estate
- Large scale, geographically diversified industrial portfolio
- Included in S&P/ASX 300 Index
- Portfolio has grown significantly over the past five years

Value of owned Industrial Portfolio (ex Business Parks) ¹



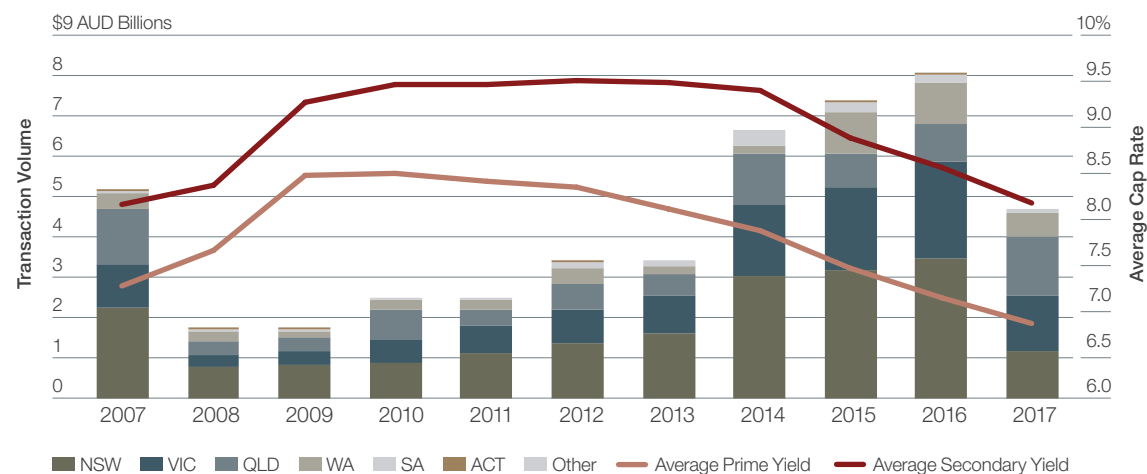
CIP Portfolio Value



1. Source: ASX disclosures at 31 December 2017

Competition for assets drives transaction volumes

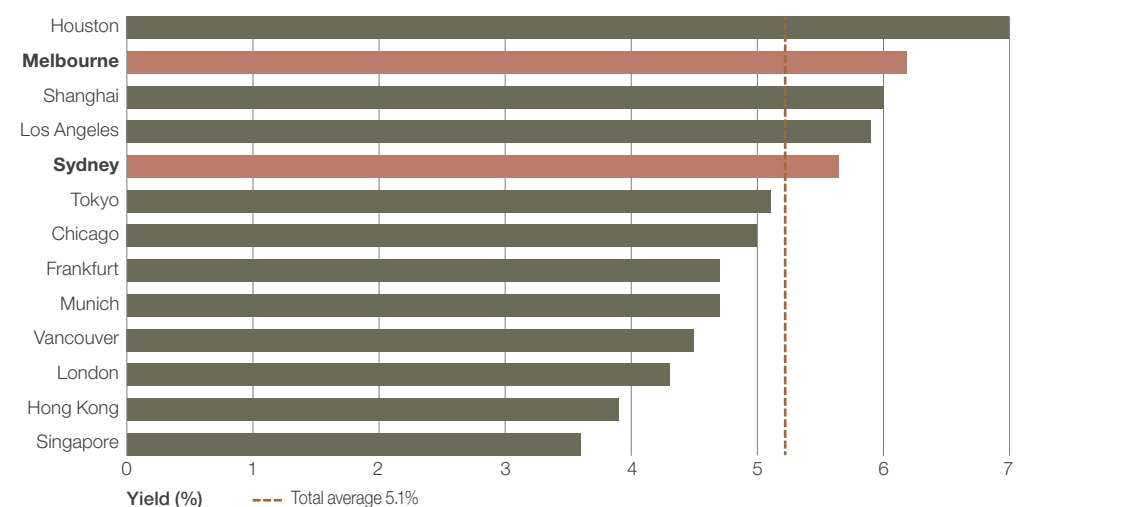
Transaction Volumes and Average Cap Rate



Note: Investment sales greater than and equal to \$5 million included; yields reflect reversionary yields

Source: RCA / Colliers Edge

Average Industrial Yield by City (2017)



Note: Yields reflect average prime industrial assets, as at December 2017

Source: Colliers International

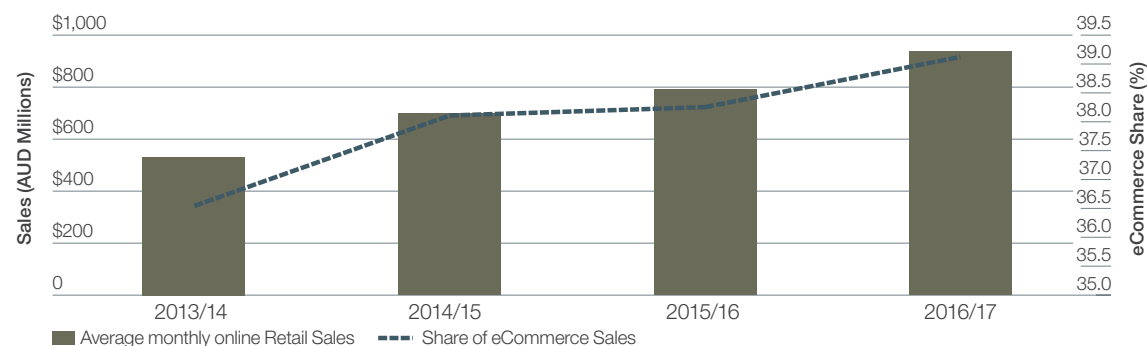
Underlying conditions remain positive for industrial occupiers

Australian GDP and CPI



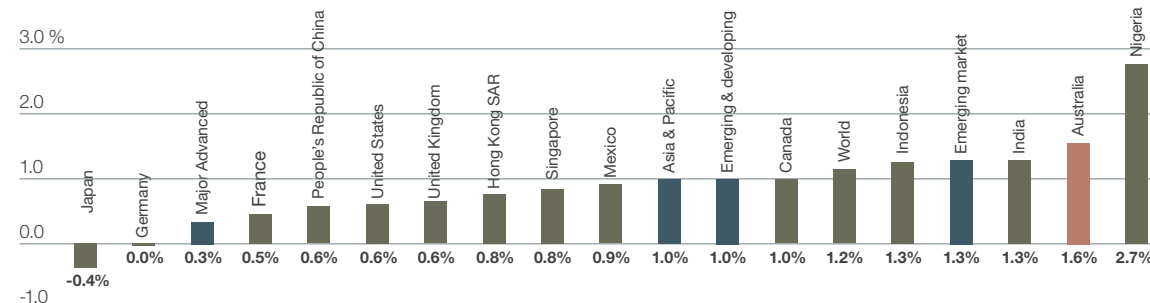
Source: ABS

Online Retail and eCommerce



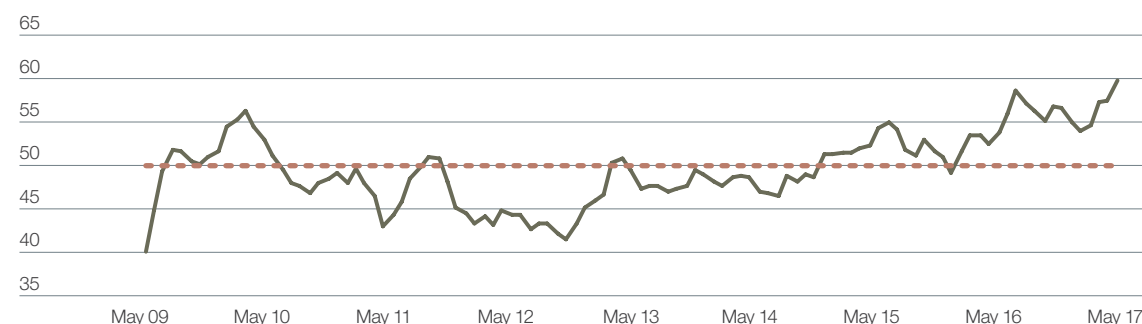
Source: Source: ABS / Colliers Research Note: 'eCommerce' defined as 'pure-online sales'

Projected Average Population Growth (2018-2022)



Source: IMF

Australian Manufacturing Purchasing Managers Index (3 months average)

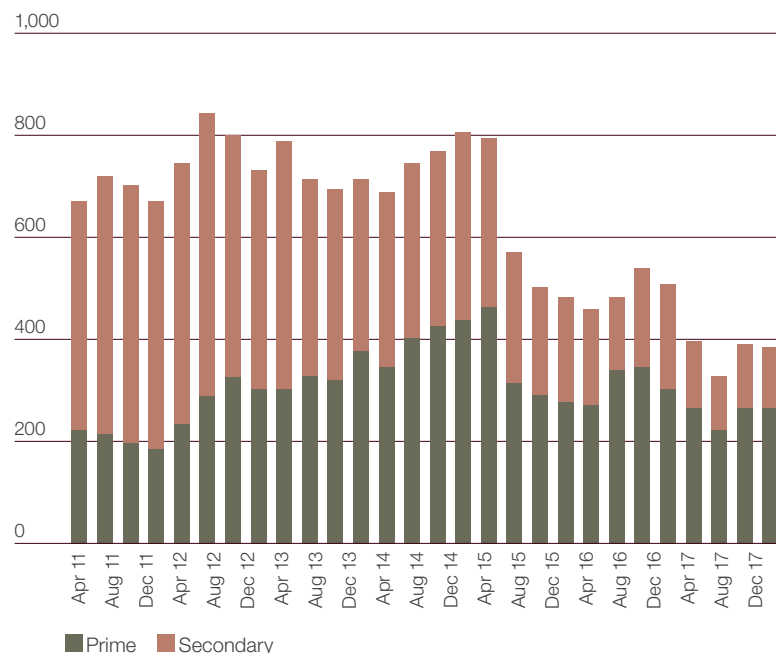


Source: RBA, Property Insights

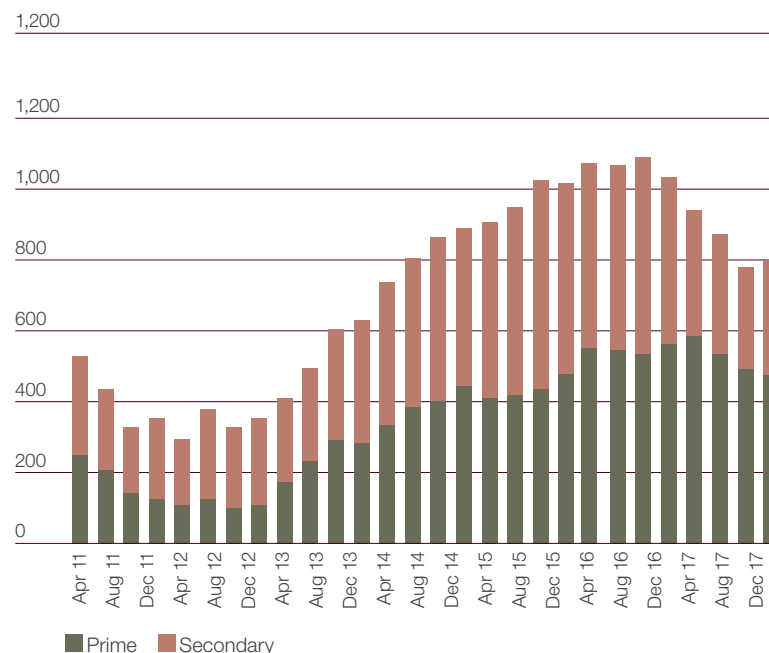
Market supply¹

Availability reducing across all key markets

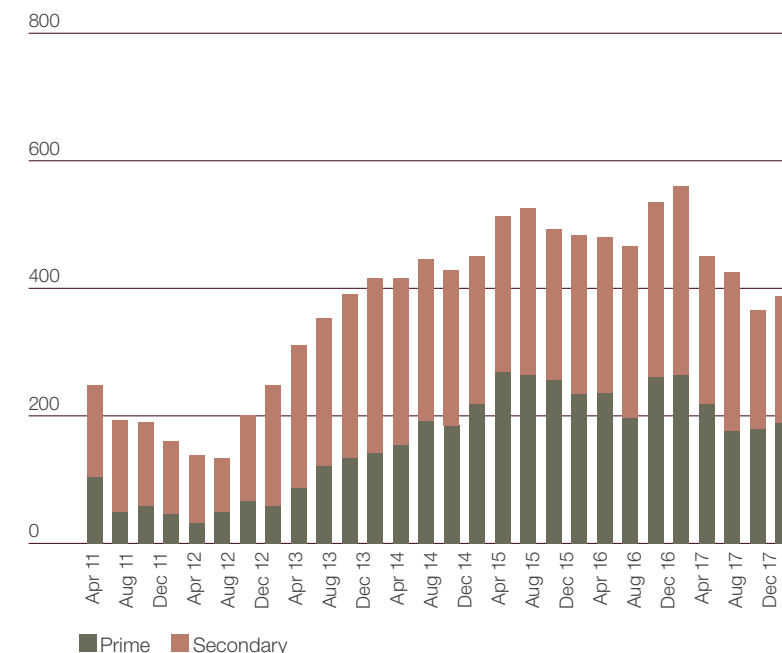
Available Space – Sydney



Available Space – Melbourne



Available Space – Brisbane



1) Source: Knight Frank Research

Section 3

Portfolio overview

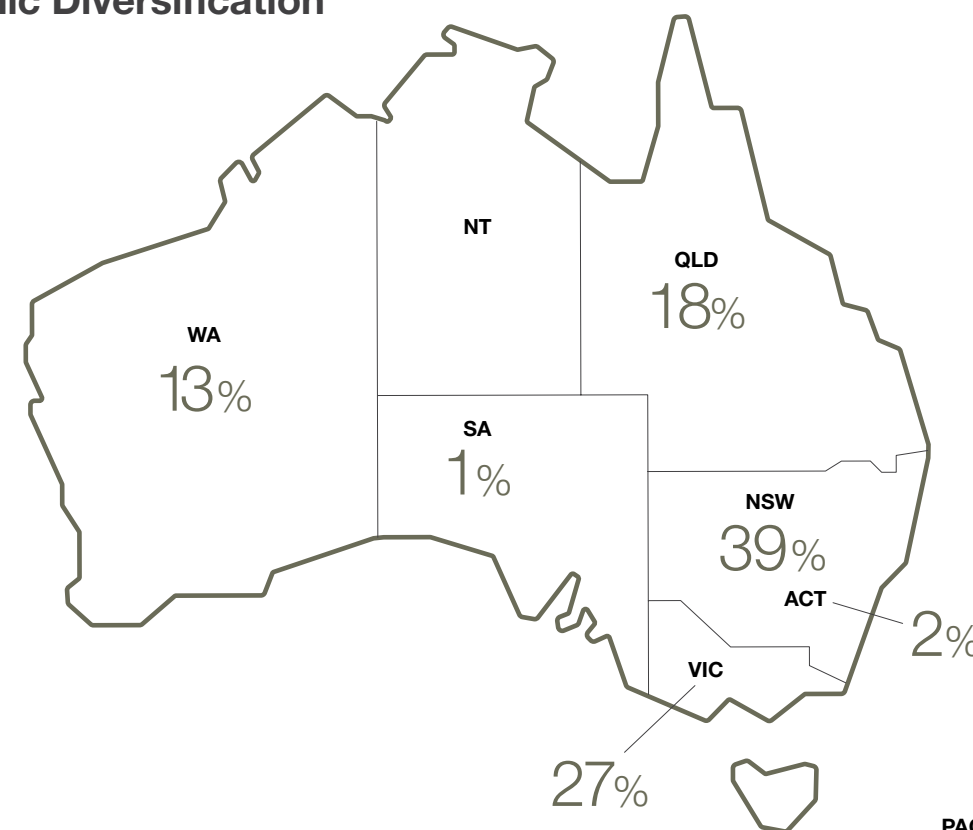
Portfolio composition

High quality assets accomodating quality tenants

Portfolio Snapshot		1H18	FY17 ¹	1H17
Number of assets		39	38	37
Book value	\$m	1,005.2	961.2	911.9
WACR	%	7.02	7.33	7.42
GLA	sqm	766,539	757,944	693,620
Average asset size	sqm	19,655	19,945	18,746
Occupancy by income	%	95.9	92.1	96.1
WALE by income	Years	4.9	4.4	4.4

Rank	Tenant	% of total income
1	AWH	8.1%
2	Woolworths	8.1%
3	Green's General Foods	6.4%
4	Visy Board	5.3%
5	The Reject Shop	4.3%
6	API	4.2%
7	Orora	3.9%
8	VIP Petfoods	3.5%
9	K & S Freighters	3.4%
10	Bradnam's Windows and Doors	3.4%

Geographic Diversification (by value)



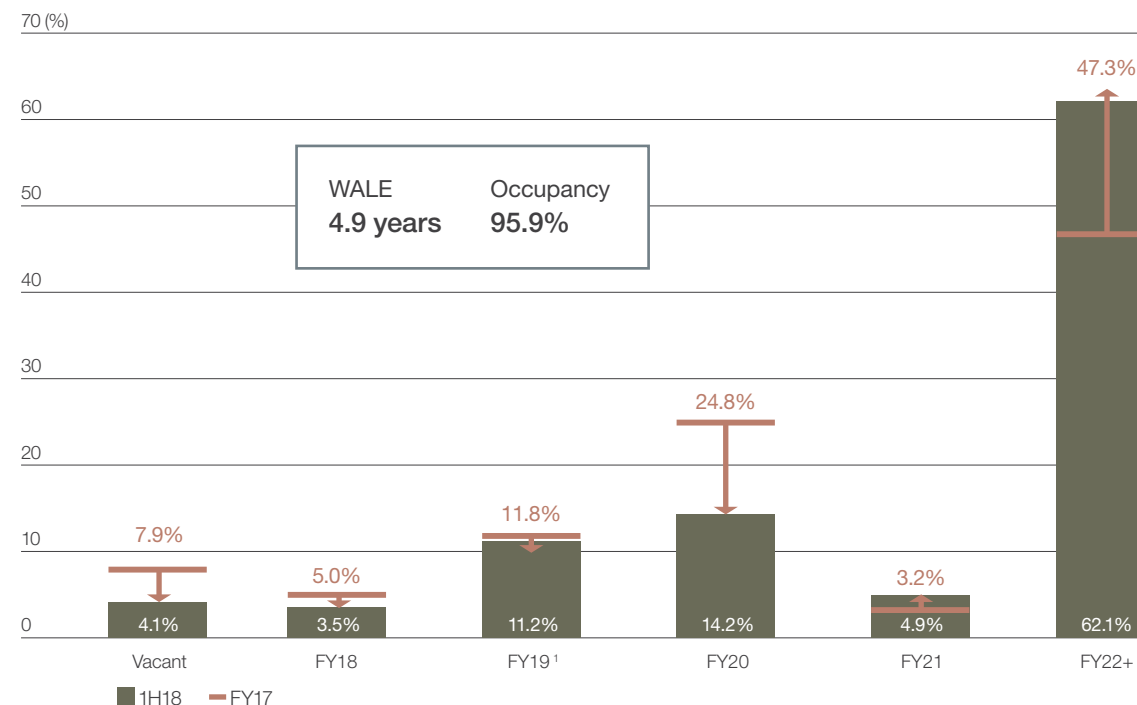
1. Includes acquisition of Lot 14 Sudlow Road, Bibra Lake, WA and 207-219 Browns Road, Noble Park, VIC, exchanged on 29 June 2017

Operational highlights

Active management generates record leasing volume

- Record leasing in 1H FY18, 20.1% of portfolio leased over a six month period
- 100% tenant retention in 1H FY18 driven by leasing transactions with major occupiers
- Executed one of Australia's largest leases, 83,781sqm to AWH
- High occupancy of 95.9%, portfolio WALE of 4.9 years
- Significant reduction in portfolio vacancy and near term forward lease expiry

Weighted Average Lease Expiry (by income)



1. FY19 will further reduce to 10.2% following settlement of 39-45 Wedgewood Road, Hallam, VIC

Transactional highlights

Over \$130m¹ transacted to improve portfolio quality

Acquisitions

207-219 Browns Road
Noble Park, VIC



- \$37.0 million acquisition, 7.0% initial yield²
- 8.8 year WALE³
- Adjoins existing CIP four hectare asset at 500 Princes Highway, Noble Park

Lot 14 Sudlow Road
Bibra Lake, WA



- \$28.0 million acquisition, 8.8% initial yield²
- 7.8 year WALE³
- Re-leased 100% of the property ahead of settlement
- Adjoins existing CIP asset at 310 Spearwood Avenue, Bibra Lake

92 Robinson Avenue
Belmont, WA



- \$11.2 million acquisition, 11.0% initial yield²
- 100% leased to Toll Transport until 2021
- High quality, fit-for-purpose asset in infill location situated between Perth CBD and Perth airport

Divestment

39-45 Wedgewood Drive
Hallam, VIC



- \$10.0 million divestment, 7.5% premium to book value
- Settlement to occur in June 2018, ahead of FY19 lease expiry

1. Includes CIP's 7.7% interest in Propertylink Group and 43-45 Mica Street, Carole Park, QLD

2. Acquisition prices and initial yields before transaction costs

3. WALE by area

Section 5

Summary

Summary

- CIP is Australia's largest ASX focused income industrial REIT with 100% exposure to industrial assets
- Managed by Centuria Capital (ASX:CNI), a specialist fund manager with \$121m¹ co-investment
- CIP's portfolio is nationally diversified with highest weightings towards NSW and VIC markets
- The portfolio has undergone significant active management
 - > Near term lease expiries have been significantly reduced over the last 12 months, increasing WALE to 4.9 years
 - > Continued execution of complementary acquisition and disposal initiatives
- Australia's industrial market continues to experience strong demand from domestic and international investors
- Tenant demand improving
 - > Adaptation towards emerging technological trends
 - > Uplift from traditional manufacturing sectors
- Forecast FY18 distributable earnings of 19.5-20.0 cents per unit
- Forecast FY18 distribution of 19.4 cents per unit

1. Based on CIP closing price of \$2.45 as at 31 March 2018, and CNI disclosure of 21 Nov 2017

CIP, Australia's largest ASX listed income focused industrial REIT

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4. By income

Disclaimer

This presentation has been prepared by Centuria Property Funds No. 2 Limited (ABN 38 133 363 185, AFSL 340 304) ('CPF2L') as responsible entity of the Centuria Industrial REIT (ARSN 099 680 252 ('CIP' or the 'Trust')).

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

All dollar values are in Australian dollars (\$ or A\$) unless stated otherwise.

Thank you