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Centuria Property Funds No. 2 Limited

CENTURIA INDUSTRIAL REIT

CIP Q1 FY19 OPERATING UPDATE & REVALUATIONS

Thursday, 18 October 2018

Centuria Property Funds No. 2 Limited (**CPF2L**) as Responsible Entity of Centuria Industrial REIT (**ASX:CIP**), is pleased to provide CIP's operating update for Q1 FY19.

Key Highlights

- **Leases agreed¹ for 29,113sqm or 3.9% of portfolio area**
- **\$114 million of transactional activity²**
- **Revaluations increase pro-forma NTA³ by 5.1%**

Property portfolio and leasing

Ross Lees, CIP Fund Manager, commented, "Centuria's active management approach has continued to deliver strong leasing outcomes across the portfolio. During Q1 FY19, terms were agreed¹ on a further 3.9% of the portfolio's lettable area. Importantly, a key FY19 priority is being addressed through the de-risking of known expiries within the Victorian sub-portfolio. Pleasingly, terms have been agreed¹ across 10.4% of the Victorian sub-portfolio."

"CIP's focus on generating strong leasing momentum has benefitted the portfolio's expiry profile, particularly in FY19 where remaining expiry is less than 3% of the portfolio's income. Overall portfolio occupancy⁴ was recorded at 94.1% and WALE⁴ at 5.0 years."

Significant leases agreed in the quarter include:

- 14-17 Dansu Court, Hallam, VIC (15,333sqm): Lease executed with GM Holden for a 3.5 year renewal over 100% of their tenancy.
- 102-128 Bridge Road, Keysborough, VIC (4,606sqm): Lease executed with Macro Group for a 5 year lease. This lease commenced with no downtime from the prior tenant.
- 310 Spearwood Avenue, WA (6,800sqm): Terms agreed with a third party logistics provider for short term lease with further options to renew.
- 500 Princes Highway, VIC (2,374sqm): Terms agreed with two tenants taking occupancy at this property to 100%.

Transactions

During Q1 FY19, CIP continued to be active in transactional markets to improve the overall portfolio quality. Transactions in the period included:

- Divestment of CIP's interest in Propertylink (\$46.3m) generating a 13.3% internal rate of return during CIP's holding period.
- Settlement of the divestment of 39-45 Wedgewood Drive, Hallam, VIC (\$10.0m), reflecting a 7.5% premium to book value and generating a 14% internal rate of return under Centuria's management period.
- Off market acquisition of 616 Boundary Road, Richlands, QLD (\$15.9m). The 13,763sqm warehouse facility on a 3.1 hectare site has dual street frontages and is located in the prime Richlands market. The property was acquired through a sale and leaseback transaction on an 8.2%⁵ initial yield and 100% occupied by the logistics group, Border Express.
- Acquisition of Cargo Park, 1 International Drive, Westmeadows, VIC (\$42.0m)². The property is a 25,866sqm multi-tenanted industrial estate located on a prominent 5.6ha freehold site with significant exposure to the Tullamarine Freeway. The property is 87% occupied with a WALE of 2.3yrs and has been acquired on a capitalisation rate of 7.0%

Portfolio revaluations

Independent valuations have been completed for 100% of CIP's portfolio at 30 September 2018. The portfolio's weighted average capitalisation rate has reduced by 23bps from 6.77%⁶ to 6.54% resulting in an overall revaluation gain of \$36.85m⁷. Pro-forma Net Tangible Assets ("NTA") per unit³ has increased by 5.1% to \$2.69.

CIP Fund Manager, Ross Lees commented: "Recent transactional activity has demonstrated the continued demand for industrial real estate, particularly in the East Coast markets. As the largest ASX listed income focused industrial investment vehicle, CIP is well positioned to benefit from this continued demand from investors."

FY19 guidance and summary

CIP confirms its FY19 distributable earnings guidance of 18.5-19.0 cents per unit, with distributions of 18.4 cents per unit.

Ross Lees commented, "The first quarter of FY19 has been another active period for CIP, our team has continued to build on the momentum created in FY18 to deliver strong leasing outcomes whilst we have identified and executed a number of initiatives to continue to improve and grow the portfolio through transactional activity. CIP now holds a \$1.1bn portfolio of high quality Australian industrial real estate, and with less than 3% of the portfolio⁴ expiring in FY19 the portfolio is well positioned to continue to grow value for unit holders"

– Ends –



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

Ross Lees

Fund Manager – CIP

Centuria Property Funds No. 2 Limited
Phone: 02 8923 8923
Email: ross.lees@centuria.com.au

Gigi Shaw

Senior Consultant

BlueChip Communication
Phone: 02 9018 8633
Email: gigi@bluechipcommunication.com.au

About Centuria Property Funds No. 2 Limited

Centuria Property Funds No. 2 Limited (CPF2L), 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/ASX 300 Index. CIP owns a portfolio of 38 high quality industrial assets with a value of \$1.1 billion, the properties are in key metropolitan locations throughout Australia.

CPF2L, combined with Centuria Property Funds Limited (CPFL), are wholly owned subsidiaries of Centuria Capital Group (CNI) and have approximately \$4.6 billion of assets under management across 15 unlisted property funds, one open-ended diversified property fund and two listed REITs.

CNI is an ASX-listed specialist investment manager with approximately \$5.5 billion in assets under management.

www.centuria.com.au

¹ Includes Heads of Agreement (HOA)

² Includes acquisition of 1 International Drive, Westmeadows, VIC which was exchanged on 12 October 2018

³ Includes pro-forma adjustments for; 1) disposal of 39-45 Wedgewood Drive, Hallam, VIC; 2) disposal of 7.7% interest in Propertylink Group (ASX:PLG); 3) acquisition of 616 Boundary Road, Richlands, QLD, 4) acquisition of 1 International Drive, Westmeadows, VIC; and 5) Portfolio revaluations.

⁴ By income

⁵ Excluding transaction costs

⁶ Includes acquisition of 616 Boundary Road, Richlands, QLD which was settled on 20 August 2018

⁷ Reflects gross increase, does not include capital expenditure incurred since 30 June 2018