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Centuria Property Funds No.2 Limited CENTURIA INDUSTRIAL REIT

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Strategic Acquisitions and Equity Raising

Thursday, 27 June 2019

Centuria Property Funds No.2 Limited (**CPF2L**), as Responsible Entity of Centuria Industrial REIT (**CIP**), is pleased to announce the following:

- Acquisition of three high quality industrial assets (the **Acquisitions**) for a combined value of \$59.3 million (excluding costs) with a further \$10 million earmarked for capital expenditure to enhance the assets;
- An underwritten institutional placement to raise \$70 million (**Placement**) at an issue price of \$3.05 per CIP unit (**Issue Price**) to fund the Acquisitions and associated transaction costs;
- A non-underwritten Unit Purchase Plan (**UPP**) to eligible unitholders in Australia and New Zealand to raise up to \$5 million¹ at the Issue Price;
- CIP has independently revalued 9 of its existing 42 properties resulting in an increase of \$24.1m (8.5%) on prior valuations;
- FY20 debt re-finance completed with no maturities until FY22; and
- FY19 and FY20 guidance update with a transition to reporting Funds From Operations (**FFO**).

Acquisitions

CPF2L has entered into unconditional contracts to acquire 100% freehold interests in the following properties:

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

Centuria's Head of Funds Management and CIP Fund Manager, Mr Ross Lees commented: "These acquisitions are consistent with CIP's strategy to acquire quality assets in key metropolitan locations that we believe are relevant to the broader tenant market."

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 Excludes Hemmant, QLD

"North Geelong is fully leased to a subsidiary of Boardriders Inc., a long-term tenant who has invested significant capital expenditure into the facilities. The asset is well located directly opposite the Port of Geelong, and within 10km of Avalon Airport."

"Richlands is also fully leased with a 3.3 year WALE, and located close to another recently acquired property 616 Boundary Road, adding scale within the Richlands industrial area."

"Hemmant is being acquired on a vacant possession basis, providing an immediate opportunity to reposition the asset, given it is well located within the prime Port of Brisbane precinct."

Following completion of the transaction CIP's portfolio will increase to 45 assets with a value of \$1.3 billion and continue to be positioned as Australia's largest domestic pure play industrial REIT"

Settlement of the Acquisitions is expected to occur during June and July 2019.

Placement

To fund the Acquisitions and associated costs, CIP is undertaking a fully underwritten institutional placement to raise \$70 million.

The Issue Price of \$3.05 per unit represents a:

- 3.0% discount to the distribution-adjusted last close price of 3.14 on 26 June 2019³;
- 3.2% discount to the distribution-adjusted 5-day VWAP of 3.15 on 26 June 2019⁴; and
- 6.5% FY20 FFO yield⁵.

New units issued under the Placement will rank equally with existing units from the date of issue, however as they are issued after the distribution record date, new units will not be entitled to the distribution for the quarter ending 30 June 2019.

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 up to \$15,000 in additional units, free of any brokerage or transaction costs, at the Issue Price of \$3.05 per unit. Units issued under the UPP will rank equally with existing 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. The UPP is expected to raise up to \$5 million⁶ and will not be underwritten.

Further information on the UPP will be lodged with the ASX and sent to eligible unitholders on Tuesday, 9 July 2019.

Valuation update

CIP has independently revalued 9 of its existing 42 properties as at 30 June 2019, resulting in an increase of \$24.1 million, or 8.5% on prior valuations, and reflecting 32 bps of capitalisation rate compression on those

³ 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

⁴ Based on the 5 day volume weighted average price (VWAP) adjusted for the distribution of 4.6 cents per unit

⁵ Based on the mid-point of FY20 FFO guidance of 2–3% growth on FY19

⁶ 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

properties. As a result of these revaluations, the portfolio weighted average capitalisation rate has firmed 8 bps to 6.46% (prior to the Acquisitions).

Capital Management

As part of ongoing capital management, CIP has agreed to refinance \$160 million of its overall \$520 million facility to two new 3 year and 5 year tranches, increasing the tenor of that tranche by 2.7 years. CIP will also reset \$110m of existing interest rate swaps to capitalise on the current low interest rate environment. As a result, CIP will have no debt expiring until FY22.

Financial impact

To more closely align itself with industry standards and PCA guidelines, CIP will report on a Funds From Operations (**FFO**) basis going forward with its distribution policy based on 90–100% of FFO. Following completion 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 per unit, at the mid point of previous guidance⁷;
- FY19 distribution per unit (**DPU**) of 18.4 cents; and
- FY20 FFO per unit growth of 2–3% over FY19 FFO.

CIP's forma gearing reduces to 34.9%⁸ following completion of the Acquisitions and Placement, providing capacity to pursue future opportunities in line with CIP's strategy.

Indicative timetable

The proposed timetable for the Equity Raising is as follows:

Key event	Date
Record date for UPP	7:00pm, Wednesday, 26 June 2019
Trading halt and announcement of the Acquisitions and Placement	Thursday, 27 June 2019
Trading re-commences	Friday, 28 June 2019
June 2019 quarter distribution ex-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 under the SPP	Tuesday, 6 August 2019
ASX quotation of New Units issued under the UPP	Wednesday, 7 August 2019

⁷ Previous EPU guidance of 18.5 – 19.0 cents per unit

⁸ Gearing is defined as total borrowings less cash divided by total assets less cash and goodwill

All dates and times are indicative only and subject to change at the discretion of CPF2L with the prior written consent of the Underwriters. All dates and times are references to Australian Eastern Standard Time (AEST). Any changes to the timetable will be posted on Centuria's website at www.centuria.com.au.

Additional information

Additional information about the Acquisitions and Placement, including key risks, is contained in the CIP investor presentation released to the ASX today. The UPP booklet will also be released separately and mailed to eligible unitholders.

- Ends -

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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 45 high quality industrial assets with a value of \$1.3 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 \$5.4 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 \$6.2 billion in assets under management.⁹

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. 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

⁹ Subject to completion of Centuria Heathley transaction

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.

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