Industria Trust No. 1 ARSN 125 862 875
Industria Trust No. 2 ARSN 125 862 491
Industria Trust No. 3 ARSN 166 150 938
Industria Trust No. 4 ARSN 166 163 186
Industria Company No. 1 Ltd ACN 010 794 957

Responsible Entity
APN Funds Management Limited
ABN 60 080 674 479 AFSL No 237500

Level 30, 101 Collins Street
Melbourne Victoria 3000 Australia

T +61 (0) 3 8656 1000
F +61 (0) 3 8656 1010
W industriareit.com.au

ASX ANNOUNCEMENT (ASX code: IDR)

22 August 2016

Results for the period ended 30 June 2016

Highlights

- Distribution $19.1 million / 15.5 cents per security, towards the top of the guidance range and representing an attractive ~7% distribution yield
- Active management at Brisbane Technology Park (BTP) has resulted in an additional 27,100 square metres being leased up, driving portfolio occupancy to 96%
- Disposed of two assets at an average premium to book value of 13%
- Strong financial position, with 30 June 2016 gearing of 33.1% anticipated to reduce to ~28% post asset sales
- Clear and simple focus on generating sustainable income and capital growth returns through investing in property that provides well located and attractively priced workspaces for business

Financial Results

APN Funds Management Limited, the Responsible Entity of Industria REIT (IDR) today announced the results for the financial year ending 30 June 2016. Net profit attributable to security holders for the period was $31.3 million, up $8.5 million on the prior corresponding period (pcp), largely due to uplifts from investment property valuations.

Funds From Operations (FFO) was $21.5 million (17.5 cents per security), up $0.2 million on pcp.

Net Tangible Assets (NTA) total $261.2 million, equating to $2.12 per security – up 1 cent per security on 31 December 2015.

Commenting on the result, Industria Fund Manager Alex Abell said that solid progress continued to be made on the portfolio: “Financial year 2016 has delivered a good set of results that are slightly ahead of expectations following leasing successes late in the period. Earnings have now re-based, and we have good momentum across the portfolio – both with regards to leasing and transactional activity, after disposing of two assets that will reduce Industria’s gearing to ~28%. This strong capital position allows us to be opportunistic when seeking out potential acquisitions in FY17.”

Property Portfolio

Vacancy leased-up over the period boosted occupancy to 96%. The portfolio WALE remains strong at 5.0 years, and lease expiries for FY17 and FY18 remain relatively low at 8.0% and 7.1% respectively.

Activity was led by Industria’s Brisbane Technology Park (BTP) assets, which are located 15 minutes from the CBD and 20 minutes from the airport, offer attractive rents of ~$330 per square metre, and have benefited from improved market conditions including vacancy within the BTP precinct of 7.0%[1]. Key leasing transactions over the financial year included:

- 80 – 90 South Park Drive – 10,241 square metres to Hollier Dicksons, de-risking an October 2016 lease expiry with a new 7 year lease
- Rhodes C – Renewal to Frasers Property Group over 3,720 square metres
- 85 Brandl St leased 735 square metres to Cook Medical, facilitating the sale 30% ahead of book value

[1] PCA July 2016

- 88 Brandl St - 10 leases completed with tenants ranging from 20 – 220sqm after Industria took over management of the property from a serviced office provider

When combined with the leasing completed in 1H16, 16% of the portfolio has been taken up by tenants over financial year 2016.

Industria's two assets at Rhodes, which make up 36% of the portfolio by value and offer tenants high quality space at significantly lower rents than offered in the CBD, provide upside potential to FY17 earnings. Whilst the occupancy of the buildings is reasonable at 91%, the 3 vacant suites are a drag on overall performance and Industria's management team are actively canvassing tenants to enhance the income profile of the assets.

Industria's six industrial assets, located in Melbourne and Adelaide, continue to perform well and have 100% occupancy.

David Avery, Senior Portfolio Manager said: "Leasing continued to accelerate over the period as we enhanced our focus on working with our current and prospective tenants to find innovative solutions to their workspace needs. We're particularly proud of the achievements at BTP, where we secured 25 leases – more than triple the volume over the previous period."

Portfolio valuations for the financial year totalled $18.9 million, with $0.7 million of uplifts at 30 June 2016 adding to valuation uplifts of $18.2 million as at 31 December 2015. Material movements to book values included:

- The sale of 7 Brandl St for $25.5 million and 85 Brandl St for $7.23 million – an average premium to book value of 13% - after strong leasing outcomes created the opportunity to sell the assets and crystalise value;
- Rhodes A and C increased in value by $11.9 million, with key lease renewals over the previous 12 months enhancing the cap rate on these assets;
- 7 Clunies Ross Court and 17 – 19 McKechnie Drive increased in value by $1.8 million after Interactive leased 4,160 square metres, generating a weighted average lease expiry of 7.2 years;
- BTP Central, which represents the consolidation of a number of small holdings and 51A McKechnie (100% occupied by Queensland Health), reduced in value by $1.4 million, due to near-term lease expiries; and
- 8 Clunies Ross Court and 9 McKechnie Drive reduced in value by $2.1 million after the major tenant provided notice they would vacate.

Capital Management

As at 30 June 2016, gearing was 33.1%, towards the bottom of the target gearing range and well below Industria's banking covenant of 55%. Industria's hedge book covers 64% of debt as at 30 June 2016, and this will increase to 83% following the sale of 7 Brandl St and 85 Brandl St. Proceeds from sale will not be used to terminate interest rate swaps as redeployment of capital is anticipated in FY17.

Overview, key focus for FY17 and outlook

Industria's portfolio provides workspaces for business that are well located and attractively priced. The investment objectives are to generate sustainable income and capital growth returns through the cycle – a simple investment proposition that is delivered by driving leasing outcomes and seeking out portfolio recycling and growth initiatives to enhance returns. Furthermore, the balance sheet will remain conservatively positioned and within the target gearing range of 30 – 40%. This approach, overseen and governed by the independent Board, will underpin Industria's success over the long term.

Key focus areas for FY17 include: addressing near term lease expiries and remaining vacancy; capitalising on opportunities to acquire and recycle assets to enhance portfolio returns; and maintaining a disciplined approach to cost and capital management.

FFO for FY17 is anticipated to be 17.5 – 17.7 cents per security and the distribution 15.6 cents per security. This guidance takes into consideration:

- Current market conditions and assumes no unforeseen events
- Conservative leasing assumptions
- Assumes no acquisitions, which would likely result in immediate FFO and DPS accretion if completed in FY17.

ENDS

For further information, please contact:
Fund Manager
Alex Abell
aabell@industriareit.com.au
+61 3 8656 1000

About Industria REIT

Industria (ASX code: IDR) is a listed Australian real estate investment trust which owns interests in office and industrial properties that provide functional and affordable workspaces for business. Industria's $400 million portfolio of 17 properties located across the major Australian cities provides sustainable income and capital growth prospects for security holders over the long term. Industria has a target gearing band of 30 – 40%, providing flexibility for future growth without compromising the low-risk approach to capital management. Industria is managed by APN Property Group, a specialist real estate investment manager established in 1996, and governed by a majority independent Board.

Industriareit.com.au