

HY24 Financial Results

SYDNEY (Wednesday, 7 February 2024) - Centuria Industrial REIT (**ASX: CIP**), Australia's largest domestic pure-play industrial REIT, has announced its Half Year financial results for the period ended 31 December 2023.

Financial Highlights

- Upgraded FY24 Funds From Operations (FFO)¹ guidance to 17.2 cents per unit (cpu)²,
- Reaffirmed FY24 distribution guidance of 16.0 cpu
- 6.0% like-for-like Net Operating Income (NOI) growth, driving FY24 FFO guidance upgrade
- \$54.1m FFO in HY24
- Strong balance sheet: 33.7% gearing³, no debt expiry until FY25, 88% hedged debt as at 31 December 2023
- \$3.89 per unit Net Tangible Assets (NTA)⁴

Portfolio Highlights

- 51% positive re-leasing spreads⁵ across 17 transactions (1HFY23: 19%, 2HFY23: 37%)
- \$1.0Bn future urban infill industrial development pipeline⁶, capitalising on sustained tenant demand
- 108,821sqm lease terms agreed⁷ (8% of portfolio GLA)
- c.41% of portfolio leases expire by FY27, providing opportunities to capture growth and rental reversion
- 57,722sqm of development completions, 44% leased at practical completion (PC)⁷
- \$70m in divestment proceeds⁸ in line with prior book values, \$11.5m strategic acquisition
- Strong portfolio metrics maintained: 88 assets worth \$3.8bn⁹, 7.5-year WALE, 97.2% portfolio occupancy¹⁰
- 5.64% portfolio capitalisation rate

Jesse Curtis, CIP Fund Manager and Centuria Head of Industrial, said, "During HY24, CIP continued to benefit from favourable market conditions within urban infill industrial markets delivering record re-leasing spreads of 51%⁵. Pleasingly, this leasing success has resulted in CIP upgrading FY24 earnings guidance."

"To further capture strong tailwinds within last mile markets, CIP has identified a future development pipeline throughout the coming five-year period, with an estimated end value of \$1.0 billion⁷. CIP has a strong, demonstrable track record having already delivered \$285million of high-quality infill industrial developments. Activating CIP's development pipeline unlocks embedded value and provides modern, sustainable industrial assets to complement the portfolio."

Ross Lees, Centuria Head of Funds Management, said, "CIP has had a longstanding differentiated strategy to build a portfolio of high-quality urban infill logistics assets. It is pleasing to see this long-term disciplined approach to portfolio construction, alongside an active approach to asset management, resulting in significant rental growth being delivered for unitholders."

Financial Results

Earnings		HY24	HY23
Statutory profit / (loss)	\$ million	12.2	(45.6)
FFO	\$ million	54.1	54.1
FFO per unit	cpu	8.5	8.5
Distribution per unit	cpu	8.0	8.0
Balance Sheet		HY24	FY23
Total Assets	\$ million	3,859	3,907
NTA per unit ⁴	\$	3.89	3.96
Gearing ³	%	33.7	33.1

During the period, CIP delivered FFO¹ of \$54.1million. Significantly, FY24 FFO guidance² has been upgraded to 17.2cpu from 17.0cpu due to strong leasing success. Total distributions of 8.0cpu were paid in line with FY24 guidance of 16.0cpu.

CIP externally valued 51 investment properties, representing c.66% of portfolio value as at 31 December 2023. Portfolio Weighted Average Capitalisation Rate (WACR) expanded 38bps to 5.64%, resulting in a \$25.3million valuation decline, or 0.7% on a like-for-like basis¹¹. The valuation reduction was primarily concentrated on CIP's two long WALE assets¹², which declined by \$25.5million. The remainder of CIP's active 86-asset sub-portfolio increased in value by \$0.2million on a like-for-like¹¹ basis with leasing success and market rental growth offsetting capitalisation rate expansion. CIP's portfolio is valued at \$3.8billion as at 31 December 2023⁹ and Net Tangible Assets (NTA) is \$3.89 per unit⁴.

Gearing was largely unchanged at 33.7%³ (covenant 50%) as was CIP's interest coverage ratio (ICR) of 3.2 times (covenant of 2.0 times), both provide substantial headroom to covenants. CIP maintains a staggered and diverse debt profile with no debt expiring until FY25 and a weighted average debt maturity of 3.6 years. CIP's hedging profile remained at 88% with a further \$200million of forward dated swaps entered during the half. CIP maintained a healthy balance sheet with \$332million in liquidity and maintained a Baa2 stable Moody's rating.

Property Portfolio

Portfolio Snapshot		HY24	FY23
Number of assets		88	89
Book value ⁹	\$ million	3,795	3,839
WACR	%	5.64	5.26
Occupancy by income	%	97.2	98.0
WALE by income	years	7.5	7.7
Leases agreed GLA ⁶	sqm	108,821	180,004

CIP continued to deliver strong leasing activity during HY24, totalling 108,821sqm⁶ across 17 transactions, representing 8% of portfolio GLA. Sustained low vacancy levels and persistent tenant demand for high-quality urban infill industrial space drove positive re-leasing spreads averaging 51% during HY24⁵, a significant increase from the second half of FY23 (37%) and the first half of FY23 (19%).

Key HY24 leasing transactions included:

- 24-32 Stanley Drive, Somerton VIC: Secured a lease over the 24,350sqm asset with a staged occupancy resulting in no downtime from the current two tenants vacating in 2024 and 2025
- 52-74 Quarry Road, Erskine Park NSW: Partial early surrender of underutilised space from the current tenant with 4,591sqm leased on a substantial increase to prior passing rent
- M80 Connect, Campbellfield VIC: leased 22,014sqm within the newly developed 45,422sqm multi-unit industrial estate. The lease was to an existing CIP tenant customer, further leveraging the network effect within the portfolio

More than 83% of CIP's portfolio is weighted to Australia's urban infill industrial markets, which are in proximity to densely populated areas where tenant demand remains highest. Within CIP's portfolio, 99% of leases are net or triple net leases, with property operating costs passed on to tenant customers. Approximately 41% of portfolio leases expire by FY27, providing further opportunities to capture positive rental reversion from leasing activities. CIP continued to attract high-calibre tenant customers with 30% of the portfolio¹³ leased to multi-location tenant customers and 93% of rental income derived from listed, national and multinational entities.

CIP maintained a portfolio of 88 high-quality assets with a strong portfolio WALE of 7.5 years complemented by a high 97.2% portfolio occupancy¹⁰.

Development

CIP has identified a \$1.0 billion⁷ future development pipeline across the next five years with a focus on key growth sub-markets including multi-level industrial facilities, data centres, distribution centres and cold storage/food logistics.

Select pipeline projects include:

- 74 Newton Road, Wetherill Park NSW: infill brownfield development for a c.58,000sqm multi-level industrial facility
- 31 Hallam South Road, Hallam VIC: brownfield development for a c.7,500sqm industrial facility
- 50-64 Mirage Road, Direk SA: c.22,000sqm industrial development

During the period, CIP continued to execute development projects to leverage market rents and drive returns with \$147million of modern sustainable industrial developments delivered across 57,722sqm. These new facilities were c.44% pre-committed prior to PC⁶ and achieved a c.47% rental premium¹⁴.

Projects that reached PC in HY24 include:

- 90 Bolinda Road (M80 Connect), Campbellfield VIC: c.45,422sqm multi-unit industrial development
- 204-208 Bannister Road, Canning Vale WA: c.12,300sqm new industrial development

Capital Transactions

CIP divested two assets for a combined value of \$70million⁸ during the half with both trading in line with book values as at 30 June 2023. Proceeds were used to reduce debt and strengthen CIP's balance sheet. Divestments included:

- 1 International Drive, Westmeadows VIC: multi-tenanted industrial estate, delivered a 40% value uplift
- 9 Fellows Court, Tullamarine VIC: achieved a 55% premium to December 2022 book values following an extensive refurbishment, which achieved a 60% re-leasing spread on tenant renewal

During HY24, CIP acquired a strategic industrial facility at 8 Hexham Place, Wetherill Park NSW for \$11.5million, adding to a consolidated precinct of 5.7ha in Wetherill Park, NSW.

Sustainability

CIP is externally managed by Centuria Capital Group (Centuria) and aligns itself to Centuria's sustainability framework. Centuria Property Funds No 2 Limited (CPF2L) is the responsible entity for CIP and a wholly owned subsidiary of Centuria Capital Group. By the REIT's nature, CIP has no staff and is solely a portfolio of assets.

Recent ESG initiatives specific to CIP included:

- c.100,000sqm of completed and future targeted five-star Green Star logistics space
- A new sustainability target zero scope 2 emissions by 2028¹⁵
- Committed to reducing carbon emissions through onsite solar with 293 kW forecast to be commissioned in FY24

Recently, Centuria has been involved in wider ESG initiatives, which have a positive impact on CIP, including:

- Creation and implementation of a Group ESG Policy and CIP ESG Investment Approach
- Published Centuria's 2023 Sustainability Report (including TCFD) and FY23 Modern Slavery Statement
- Group's strategies across Environmental, Social and Governance initiatives
- Named in the Top 10 AFR Best Places to Work in Australia and New Zealand 2023 within the property, construction and transport category

Summary & Outlook

Jesse Curtis, concluded, "CIP enters the second half of FY24 in a strong position having executed outsized re-leasing spreads and identified a realisable development pipeline. Divestments at book value further demonstrated portfolio liquidity and healthy demand for the style of assets CIP owns, while further capital management initiatives bolstered CIP's strong balance sheet.

"Looking ahead, domestic urban infill industrial market vacancy remains tight despite wider industrial market vacancy marginally increasing. Tenant demand continues to be skewed towards urban infill markets as industrial users prioritise proximity to a large population base. With limited new supply within these infill markets, rental growth is expected to be prolonged providing the opportunity for continued positive rental reversion. Additionally, CIP's embedded development pipeline provides the optionality to unlock further value to take advantage of the mismatch between supply and demand and deliver value to unitholders."

CIP upgraded its FY24 FFO guidance to 17.2cpu² and reaffirms its distribution guidance of 16.0cpu, expected to be paid in equal quarterly instalments.

HY24 Results Presentation

CIP is providing a market briefing, which will be made available via Centuria Industrial REIT's [website](#).

– Ends –

Centuria Industrial REIT (CIP)

ASX Announcement

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Authorised for release by Anna Kovarik, Company Secretary.

About Centuria Industrial REIT

CIP is Australia's largest domestic pure play industrial REIT and is included in the S&P/ASX 200 Index. CIP's portfolio of high-quality industrial assets is situated in key metropolitan locations throughout Australia and is underpinned by a quality and diverse tenant base. CIP is overseen by a hands on, active manager and provides investors with income and an opportunity for capital growth from a pure play portfolio of high-quality Australian industrial assets.

Centuria Property Funds No. 2 Limited (CPF2L), is the Responsible Entity for the ASX-listed Centuria Industrial REIT (CIP) (ARSN 099 680 252). CPF2L is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with more than \$21 billion in total assets under management (as at 31 December 2023) and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment bonds.

www.centuria.com.au

Summary Information

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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 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.

¹ FFO is CIP's underlying and recurring earnings from its operations. This is calculated as the statutory net profit adjusted for certain non-cash and other items

² Guidance upgraded from 17.0 cents per unit (cpu). Guidance remains subject to unforeseen circumstances and material changes in operating conditions, and assumes the average floating rate is based on a BBSW rate of 4.6% over FY24

³ Gearing is defined as total interest bearing liabilities divided by total assets

⁴ NTA per unit is calculated as net assets divided by number of units on issue

⁵ On a net rent basis compared to prior passing rents

⁶ Estimated value on completion. Includes land, development cost and estimated development upside

⁷ Includes heads of agreement (HOA)

⁸ Before transaction costs

⁹ At CIP ownership share of joint venture assets

¹⁰ By income

¹¹ On a like-for-like basis, excludes capital expenditure incurred

¹² CIP Active portfolio excludes assets with a WALE of greater than 15 years, being Telstra Data Centre, Clayton VIC and 46 Robinson Road, East, Virginia QLD

¹³ Gross Lettable Area (GLA)

¹⁴ Rental premium secured against underwritten rental values

¹⁵ CIP will account for zero Scope 2 emissions by being powered by the equivalent of 100% renewable electricity through a combination of onsite solar and largescale generation certificate deals which match our consumption

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