

HY23 Financial Results

SYDNEY (Tuesday, 31 January 2023) - 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 2022.

HY23 Financial Highlights

- \$54.1m Funds From Operations (FFO)¹
- Strengthened balance sheet with gearing reducing to 31.6%², at the bottom end of the target gearing range
- Percentage of hedged debt increased to 77%
- Strong liquidity with \$401m cash and debt headroom, 4.1year weighted average debt duration, ample headroom to covenants
- \$4.08 per unit Net Tangible Assets (NTA)³
- Reiterated FY23 FFO guidance of 17.0 cents per unit (cpu) and distribution guidance of 16.0cpu⁴

HY23 Portfolio Highlights

- Leasing success drives 19% positive re-leasing spreads⁵ across 19 transactions
- 88,517sqm lease terms agreed⁶, representing 7% of portfolio GLA
- c.28% of portfolio lease expiries by FY25, 8.1-year WALE with a 98.7% portfolio occupancy⁷
- Strategic transactions deliver \$215m in divestment proceeds and new investment partnership
- 20% portfolio income derived from CPI indexed leases, 98% of leases are net or triple-net
- Portfolio includes 88 high-quality industrial assets worth \$3.9billion⁸; 4.66% portfolio capitalisation rate

Jesse Curtis, CIP Fund Manager and Centuria Head of Industrial, said, "CIP achieved strong results for the first half of FY23 with substantial leasing activity, value-add project completions, and strategic transactions fortifying its balance sheet. As a result, CIP's FY23 FFO guidance is reiterated at 17.0cpu and distribution guidance reiterated at 16.0cpu.

"Industrial market rents accelerated during the period due to record low national vacancy and continuous tenant demand. This demand is reflected in CIP's leasing activity and re-leasing spreads, which further widened to a substantial 19%⁵. Also illustrative of this demand is CIP's value-add development project in Dandenong South VIC, which was fully leased five months prior to completion.

"During the period, proactive capital management further strengthened CIP's balance sheet. Strategic transactions reduced gearing to 31.6%², the bottom end of CIP's target range, and provided ample headroom to debt covenants. With a strengthened balance sheet and continuous occupier demand, CIP is well placed to deliver compelling returns for its unitholders."

HY23 Financial Results

| Earnings | | HY23 | HY22 |
|---------------------------|------------|--------|-------|
| Statutory profit / (loss) | \$ million | (45.6) | 308.1 |
| FFO | \$ million | 54.1 | 53.9 |
| FFO per unit | cpu | 8.5 | 9.1 |
| Distribution per unit | cpu | 8.0 | 8.7 |
| Balance Sheet | | HY23 | FY22 |
| Total Assets | \$ million | 3,907 | 4,148 |
| NTA per unit ³ | \$ | \$4.08 | 4.24 |
| Gearing ² | % | 31.6 | 33.2 |

During the period, CIP increased its FFO to \$54.1million. Total distributions of 8.0cpu were paid in line with FY23 guidance of 16.0cpu, representing a 4.8% distribution yield⁹.

CIP externally valued 28 investment properties, representing c.55% of portfolio value as at 31 December 2022. The portfolio Weighted Average Capitalisation Rate (WACR) expanded 47bps to 4.66%, resulting in a \$72.9million valuation decrease, or 1.9% on a like for like basis¹⁰. The valuation reduction was primarily concentrated on CIP's two long WALE assets¹¹.

ASX Announcement

Valuations across the remainder of CIP's active portfolio remained broadly unchanged due to strong market rental growth offsetting capitalisation rate expansion. CIP's portfolio is valued at \$3.9billion as at 31 December 2022⁸ and Net Tangible Assets (NTA) are \$4.08 per unit³.

\$215.4million of strategic transactions were executed during the half with the divestment of c.50% interest in eight existing assets to an investment vehicle sponsored by Morgan Stanley Real Estate Investing (MSREI) for \$180.9million, resulting in a partnership known as Centuria Prime Logistics Partnership (CPLP). Additionally, CIP divested the \$34.5million 30 Clay Place, Eastern Creek NSW asset during the period. Proceeds from the transactions were used towards reducing CIP's debt and gearing.

Gearing reduced to 31.6%², at the lower end of the target gearing range (covenant 50%), and interest coverage ratio (ICR) of 3.8 times (covenant of 2.0 times) both provide substantial headroom to covenants. CIP maintains a staggered and diverse debt profile having a weighted average debt maturity of 4.1 years. During HY23, CIP increased its hedging profile to 77% having entered into \$300million of interest rate swaps. Through strong capital management CIP currently holds a healthy balance sheet with only \$50million of debt maturities in FY23 with more than \$400million in available cash and debt headroom. CIP maintains a Baa2 stable Moody's rating.

Property Portfolio

| Portfolio Snapshot | | HY23 | FY22 |
|--------------------------------|------------|--------|---------|
| Number of assets | | 88 | 88 |
| Book value ¹² | \$ million | 3,865 | 4,101 |
| WACR | % | 4.66 | 4.19 |
| Occupancy by income | % | 98.7 | 98.8 |
| WALE by income | years | 8.1 | 8.3 |
| Leases agreed GLA ⁶ | sqm | 88,517 | 185,206 |

CIP maintained a portfolio of 88 high-quality, 100% exposed to industrial, assets throughout HY23 and a well-diversified tenant base of 173 tenant customers. CIP's high quality tenants provide diversified sources of income with long WALE assets, backed by strong tenant covenants, complementing short WALE assets that provide value-add repositioning and development opportunities. CIP has a total portfolio WALE of 8.1 years accompanied by high portfolio occupancy of 98.7%. Urban infill industrial assets account for 83% of CIP's portfolio, which are in proximity to densely populated areas where tenant demand remains highest.

During the period, CIP secured 88,517sqm of lease terms agreed across 19 transactions, representing 7% of the portfolio's Gross Lettable Area (GLA)⁶. Strong underlying market rental growth drove significant positive re-leasing spreads averaging 19% over prior passing rents⁵. Key leasing transactions included a 22,481sqm early renewal at 82 Rodeo Road, Gregory Hills NSW on a new eight-year term. The lease was previously due to expire in 2025. However, the uplift in rent was achieved from the new lease commencement date in HY23.

With c.30% of leases expiring or development being delivered by FY25, CIP has an opportunity to execute new leasing initiatives to capitalise on the domestic market's strong rental growth trajectory. Additionally, 20% of portfolio income is linked to CPI providing a further growth driver. CIP's property income remains resilient with 87% of portfolio income derived from listed, national or multinational tenant customers and 98% of CIP's leases are net or triple-net reflecting limited capital expenditure and reduced maintenance outgoings leakage.

Value-add and Development

CIP continued to execute value-add development projects to leverage market rents and drive income returns. These included:

- Southside Industrial Estate, Dandenong South VIC: The 40,544sqm multi-unit industrial estate was 100% occupied five months prior to practical completion in November 2022 and targets a five-star Greenstar rating.
- M80 Connect, Campbellfield VIC: Commenced site preparation works on a five-star Greenstar (targeted) c.45,000sqm multi-unit industrial estate.
- Canning Vale, WA: Commenced construction on a c.12,300sqm, dual-tenancy industrial facility. Completion is expected in Q1 FY24.

Capital Transactions

CIP continues to execute its land consolidating strategy within constrained urban infill submarkets. During the period, it acquired a strategic \$12.35million asset at 119 Studley Court, Derrimut. CIP's Derrimut sub-portfolio now consists of 11 assets across 24 hectares. A collective \$215.4million of proceeds was received through the partial sale of eight assets through the establishment of CPLP and the divestment 30 Clay Place, Eastern Creek 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.

Throughout HY23, Centuria implemented various ESG initiatives, including:

- Centuria delivered its second Sustainability Report in October 2022, which included its second Task Force on Climate-related Financial Disclosures (TCFD) aligned disclosure
- Centuria published its third Modern Slavery Statement in late 2022.
- A Supplier Code of Conduct was issued to suppliers and contractors in late 2022, setting out Centuria's minimum standards to be adhered
- Centuria increased its workplace diversity with 45% of employees being female
- Employee engagement surveys revealed 94%¹³ of employees are proud to work at Centuria

Specific to the environment, during HY23 CIP achieved a 4.5-star NABERS rating for its Gregory Hills asset following its participation in the NABERS Accelerate programme for Warehouses and Cold Stores. Additionally, a 3.7 MW Solar panel installation programme is underway in partnership with key tenant customers, Woolworths Group and Arnott's Group. CIP development projects are also targeting a minimum Five-star Green Star Rating.

Summary & Outlook

Jesse Curtis, concluded, "CIP commences the second half of FY23 in a strong position with its urban infill-focused industrial portfolio continuing to benefit from the strength of the Australian industrial market. Despite continued macroeconomic uncertainty, robust tenant demand coupled with limited supply of industrial space continues to drive market rental rises nationally, accelerating re-leasing spreads across CIP's infill portfolio.

"CIP will continue to execute its core strategies during the remainder of FY23 with a substantially strengthened balance sheet. The portfolio is well positioned with high occupancy and strong, reliable rental streams. Though transaction volumes have moderated during 2022, industrial asset values are continuing to hold with uplift in market rental growth counteracting capitalisation rate expansion. CIP maintains its guidance while continuing to monitor broader economic conditions."

CIP reaffirms its FY23 FFO guidance of 17.0cpu and distribution guidance of 16.0cpu, paid in equal quarterly instalments, representing a 4.8% distribution yield^{4,9}.

HY23 Results Presentation

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

– Ends –

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

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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 2022) and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment bonds.

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.

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

³ NTA per unit is calculated as net assets divided by number of units on issue

⁴ Remains subject to unforeseen circumstances and material changes in operating conditions

⁵ On a net rent basis compared to prior passing rents

⁶ Includes heads of agreement (HOA)

⁷ By income

⁸ At CIP ownership share of joint venture assets

⁹ Annualised yield based on CIP unit closing price of \$3.33 on 27 January 2023

¹⁰ On a like for like basis, excludes capital expenditure incurred

¹¹ 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

¹² HY23 at CIP ownership of joint venture assets

¹³ Centuria Capital Group undertake regular employee engagement surveys. The reported figure is from the Group's FY22 survey