



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

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26 June 2017

[Investor name]  
[Investor address]  
[Investor address]  
[Investor address]

## Update from the Fund Manager

Dear Investor,

Over a year has passed since I started as Fund Manager of Industria REIT, and to coincide with our FY17 distribution announcement I considered it an appropriate time to reflect on the past year and share my views on the outlook for the Fund.

From the outset, I stated our priorities would be to drive leasing outcomes and seek out attractive portfolio recycling and growth initiatives to enhance returns over the long term. It's pleasing to report that we have and continue to do what we said we would – with the highlights being:

- Delivered FY16 guidance at the top of the band, and paid out a 15.5 cents per security distribution representing a yield exceeding 7% based off the prevailing trading price
- Enhanced our focus on the customer – improving our understanding and targeting our efforts to exceed their current and future requirements. Our ability to generate sustainable and long term income for our security holders is ultimately underpinned by our ability to service our customers, and hence this will always be a focus for myself, the management team, and our delivery partners
- As a result of our customer focus, completed 27,100 square metres of leasing in FY16 and a further 24,000 square metres in FY17. This has resulted in Industria having a limited lease expiry profile, with less than 10% of the portfolio expiring over the next two financial years
- Acquired WesTrac Newcastle for \$158.6 million – the equivalent of a 7.25% initial yield with 3% annual rent increases for 18 years
- Announced the FY17 full year distribution as 16.0 cents, and on-track to deliver FY17 at the top of the 17.9 – 18.1 cents per security band, representing over 3% growth on FY16

I am also pleased to report that from FY18 Industria REIT will move to paying quarterly distributions. This decision reinforces our 'property for income' approach and recognises that Industria's investors are highly focused on regular and consistent income generation through the cycle.

Valuations are currently being undertaken on five assets across the portfolio and these will be announced in due course. Indicatively, the outcomes suggest an increase over book value exceeding \$30 million, or approximately 18 cents per security of Net Tangible Assets. These outcomes are largely a result of us concluding key leasing transactions at Rhodes, and being highly disciplined when acquiring WesTrac Newcastle.

The portfolio is very well positioned, with one of the longest weighted average lease expiry profiles in the listed real estate universe, and fixed annual rent reviews of 3% or more across 80% of the portfolio. There is further growth that can be generated by additional leasing at Rhodes and Brisbane Technology Park, where high levels of tenant engagement have resulted in numerous initiatives being undertaken to create exclusive benefits to Industria tenants. These initiatives include a significant solar installation that will negate the impact of rising energy costs, increased access to flexible car parking arrangements, and leveraging the scale of our portfolio to provide greater lease flexibility.



We continue to seek out growth opportunities, concentrating on properties that provide affordable and well located accommodation. Our approach to pricing is disciplined and particularly selective when it comes to reviewing the strength of the underlying businesses that operate out of potential acquisition opportunities. Industria REIT's revenue is underpinned by a high quality and diverse tenant base, and we are determined that any future acquisitions do not dilute the value of our rent-roll and your distribution profile.

As we move into FY18, the focus will be to continue to generate high levels of tenant satisfaction to drive tenant retention and new leasing, remaining highly disciplined when pursuing acquisitions and portfolio recycling initiatives, and maintaining high levels of corporate governance that enhance our reputation as strong managers of real estate and custodians of your investment.

I look forward to providing you with Industria REIT's FY17 results in August, and thank you for your continued support.

Yours sincerely,

**Alex Abell**  
**Fund Manager**  
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#### 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 \$552 million portfolio of 21 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**