



Interim
Results
Briefing
2021

**WELCOME
TO THE 2021 INTERIM
RESULTS BRIEFING.**

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Highlights

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Q1

HIGHLIGHTS





8 MCCORMACK PLACE, WELLINGTON

RECORD INTERIM RESULT:

Fair value gains on properties of \$248.2 million contributing to a record interim profit after tax of \$273.5 million, Funds From Operations (FFO) earnings up 12.1% from the prior interim period to 5.36 cents per share, Adjusted Funds From Operations (AFFO) earnings up 24.3% from the prior interim period to 4.71 cents per share, interim cash dividends of 3.60 cents per share



ROBUST BALANCE SHEET:

Net tangible assets up 22.9% to 271.4 cents per share, gearing of 30.0%, bank facilities refinanced and increased post balance date, over \$100 million of available liquidity, proceeds from the contracted divestment of Carlaw Park will provide further funding flexibility



QUALITY PORTFOLIO OF SCALE:

Portfolio value in excess of \$2 billion, weighted average lease term of 4.79 years, occupancy of 99.5%, just 1.1% of contract rent due to expire in the second half of 2021



STRATEGY REFRESHED AND PROGRESSED:

Strategy refresh announced, \$138.3 million invested in core industrial property, divestment of Carlaw Park for \$110.0 million secured, \$3.5 million capex investment in bulk-store facilities near completion, brownfield opportunities progressed



INCREASED DIVIDEND TARGETED AND REVISED DIVIDEND POLICY:

Strategy progression, combined with positive results for the year to date and buoyant market conditions, result in confirmation of targeted 2021 dividends at the upper end of the guidance range of 7.90 cents per share, dividend policy revised

02

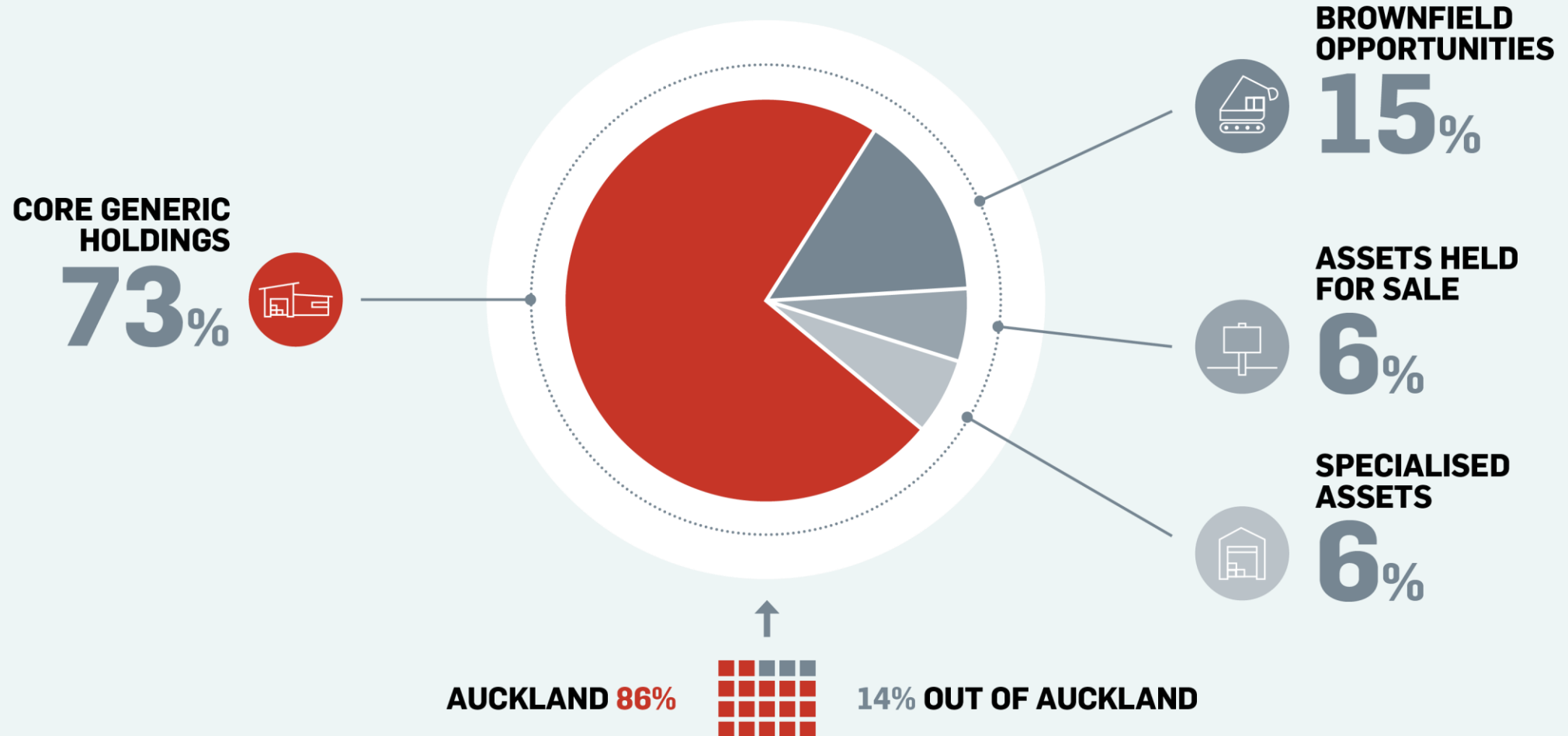
PORTFOLIO



- PFI's portfolio is diversified across 96 properties and 148 tenants, with 99.5% occupancy and a weighted average lease term of 4.79 years, weighted towards Auckland industrial property



	JUNE 2021	DECEMBER 2020	JUNE 2020
BOOK VALUE	\$2,025.3m	\$1,631.5m	\$1,470.0m
NUMBER OF PROPERTIES	96	94	93
NUMBER OF TENANTS	148	148	140
CONTRACT RENT	\$96.3m	\$89.8m	\$83.6m
OCCUPANCY	99.5%	99.4%	99.0%
WEIGHTED AVERAGE LEASE TERM	4.79 years	5.28 years	5.28 years
AUCKLAND PROPERTY	85.9%	84.6%	84.2%
INDUSTRIAL PROPERTY	92.9%	91.7%	91.0%



- 94 properties valued at the half year, resulting in a write up of \$240.3 million or 14.5% to \$2,025.3 million
 - \$7.9 million write up of Carlaw Park properties to contracted sale price of \$110.0 million brings total fair value gains on properties to \$248.2 million for the interim period
- Independent market rental assessment estimates portfolio is ~3.0% under rented
- Around 90% of valuation outcome was due to yield compression
- PFI's passing yield is now 4.75% (was 5.53%)
- CBRE estimate¹ Auckland prime industrial yields are 4.22% and secondary industrial yields are 5.30%
- Occupier and investor demand for industrial property remains robust, supported by continued low levels of vacancy and projected rental growth



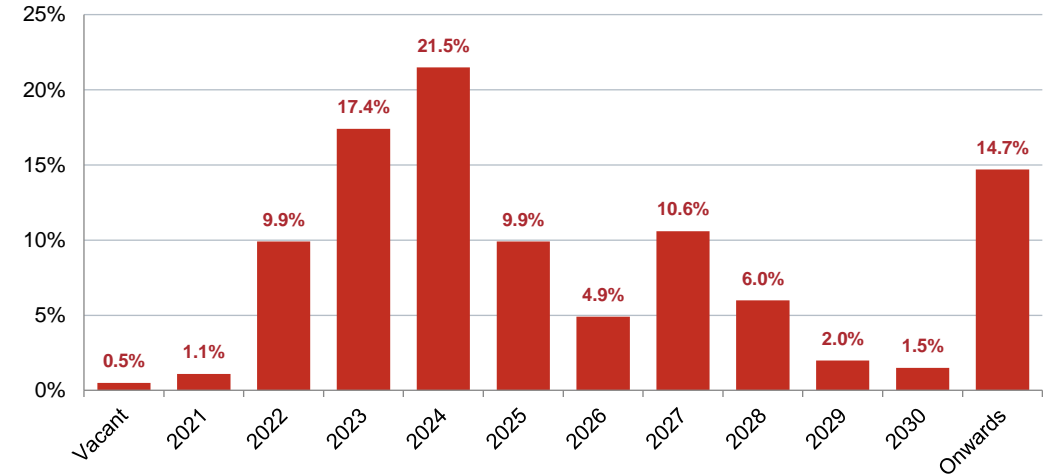
¹ CBRE "Auckland Yield and Rent Update", July 2021.

▪ **Leasing**

- 10 leases agreed over ~17,500 sqm of space for an average term of 4.4 years
- Five new leases and five renewals secured
- Average leasing costs two-thirds of a month per year of term

▪ **Expiries**

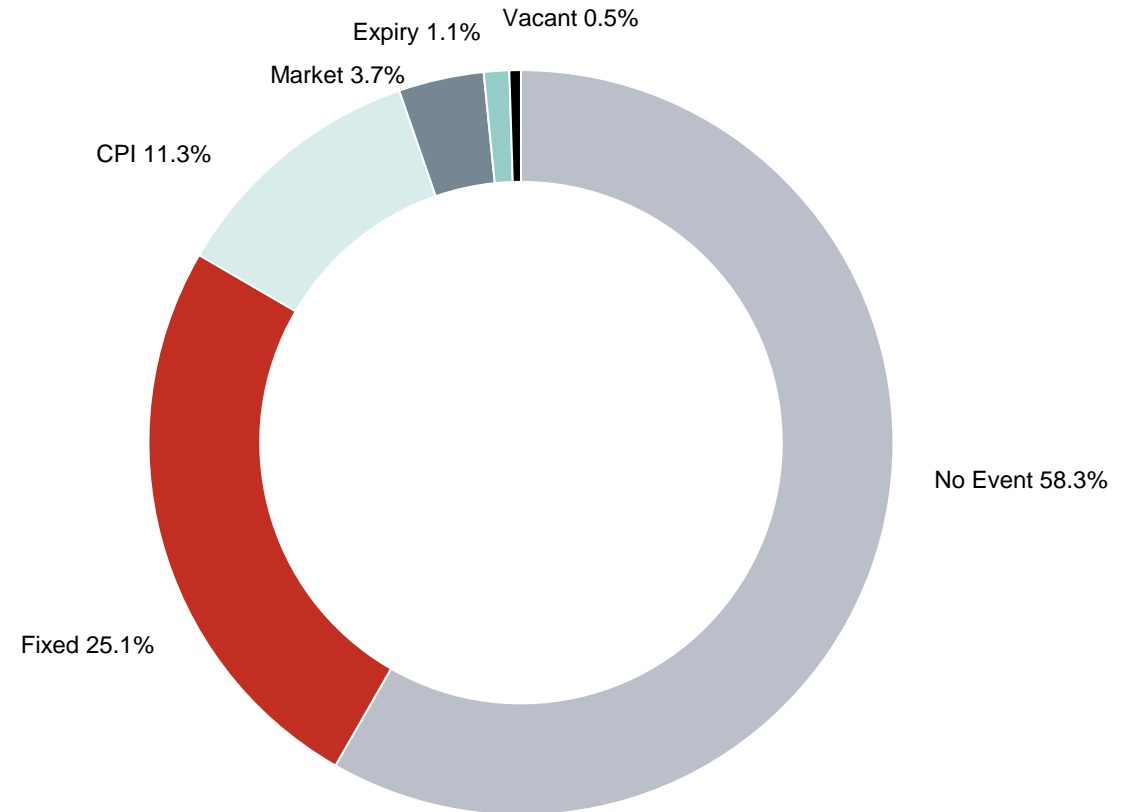
- Portfolio is 99.5% occupied (0.5% vacancy) and 1.1% of contract rent is due to expire in H2 2021, a total of just 1.6% (top graph), down from 2.9% in H2 2020.
- Largest single expiry is \$599,202, which is 58% of H2 2021 total expiries
- Commercial terms agreed for all remaining H2 2021 expiries
- Vacancy still at historically low levels: CBRE reports¹ Auckland Prime industrial vacancy at 1.2%, Secondary industrial vacancy at 1.8%



H2 2021 EXPIRIES	TENANT	% RENT ROLL
528-558 Rosebank Road	Triquesta	0.2%
10 Niall Burgess Road	NEP Broadcast Services	0.3%
102 Mays Road	Go Logistics	0.6%
TOTAL		1.1%

¹ CBRE “Auckland Property Market Outlook”, June 2021

- 66 rent reviews delivered an average annual uplift of ~3.1% on ~\$32.6 million of contract rent
 - Six market rent reviews delivered an annualised increase of 1.9% over an average review period of 5.7 years on \$2.6 million of contract rent
- CBRE predict¹ industrial rental growth over the next five years to average 3.9% per annum for prime properties and 3.7% per annum for secondary properties, up from 2.5% and 2.3% respectively in December 2020
- Around 42% of PFI's portfolio is subject to some form of lease event during H2 2021



¹ CBRE "Auckland Property Market Outlook", June 2021



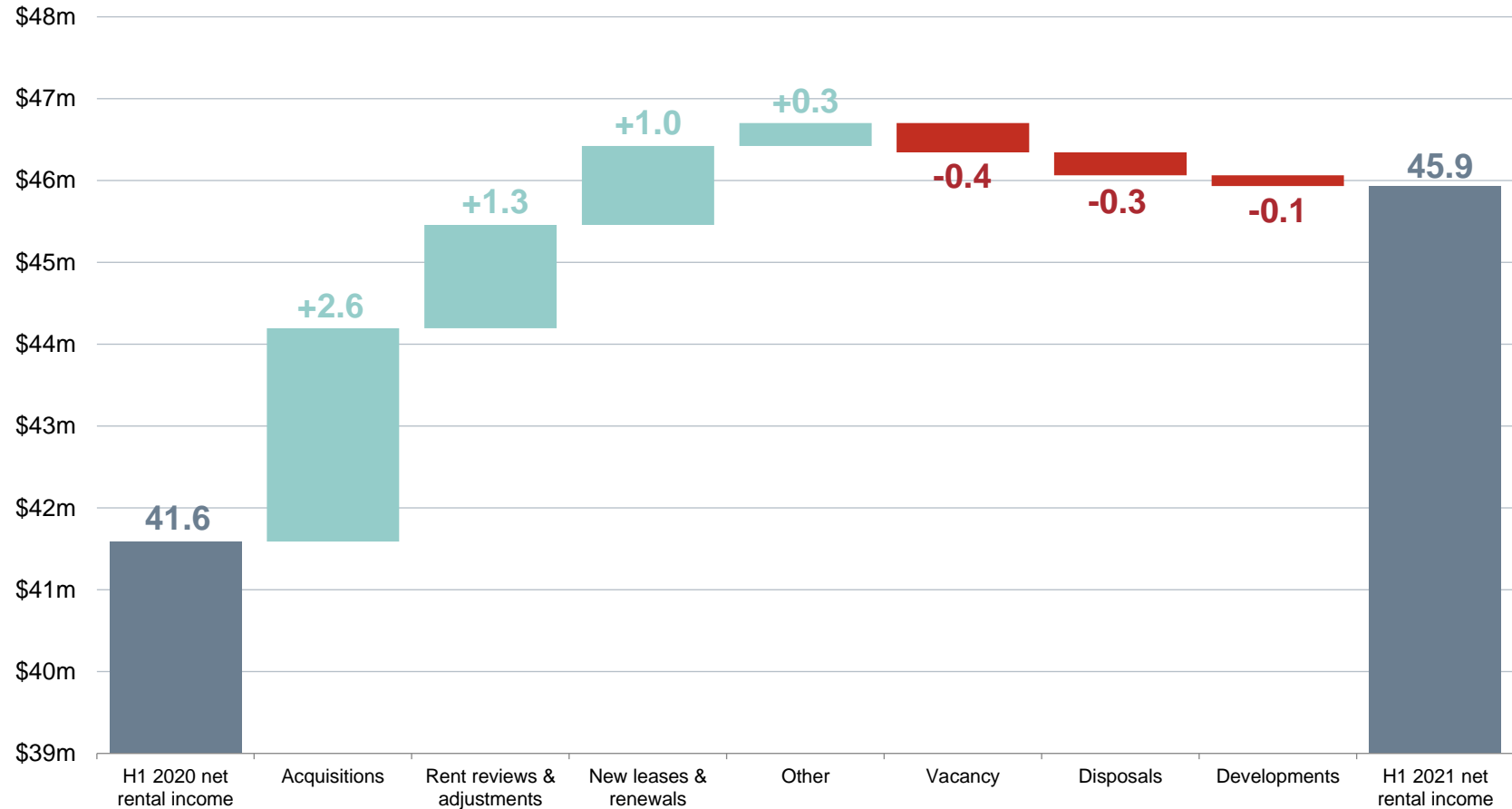
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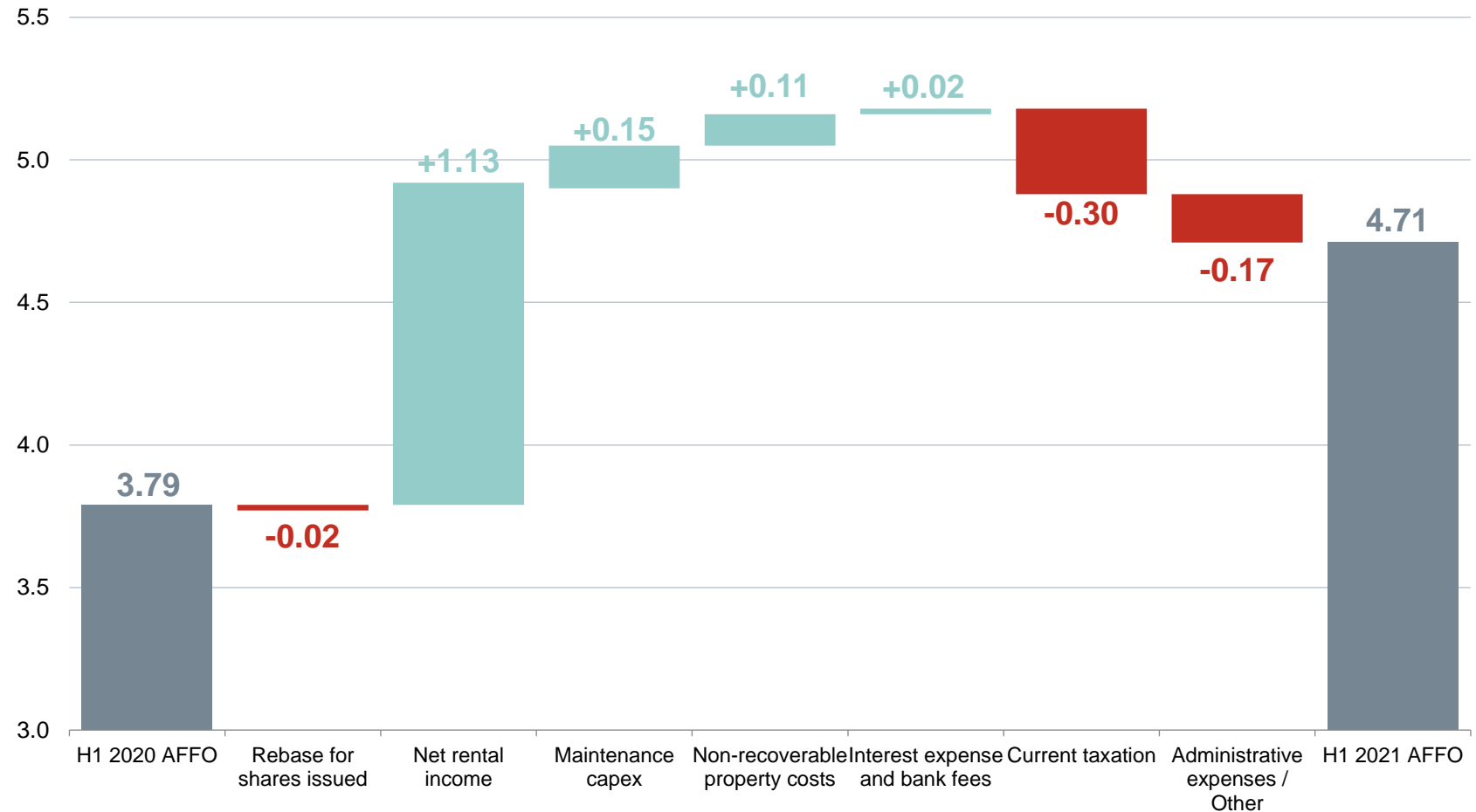
Q3

2021 INTERIM
RESULTS

- Net rental income of \$45.9 million up \$4.3 million or 10.4% on the prior interim period (\$41.6 million)
- Increases due to positive leasing activity totalling \$2.6 million and acquisitions, also \$2.6 million
- Increases partially offset by lost rental income from vacancies (\$0.4 million), disposals (\$0.3 million), and properties now under re-development (\$0.1 million)

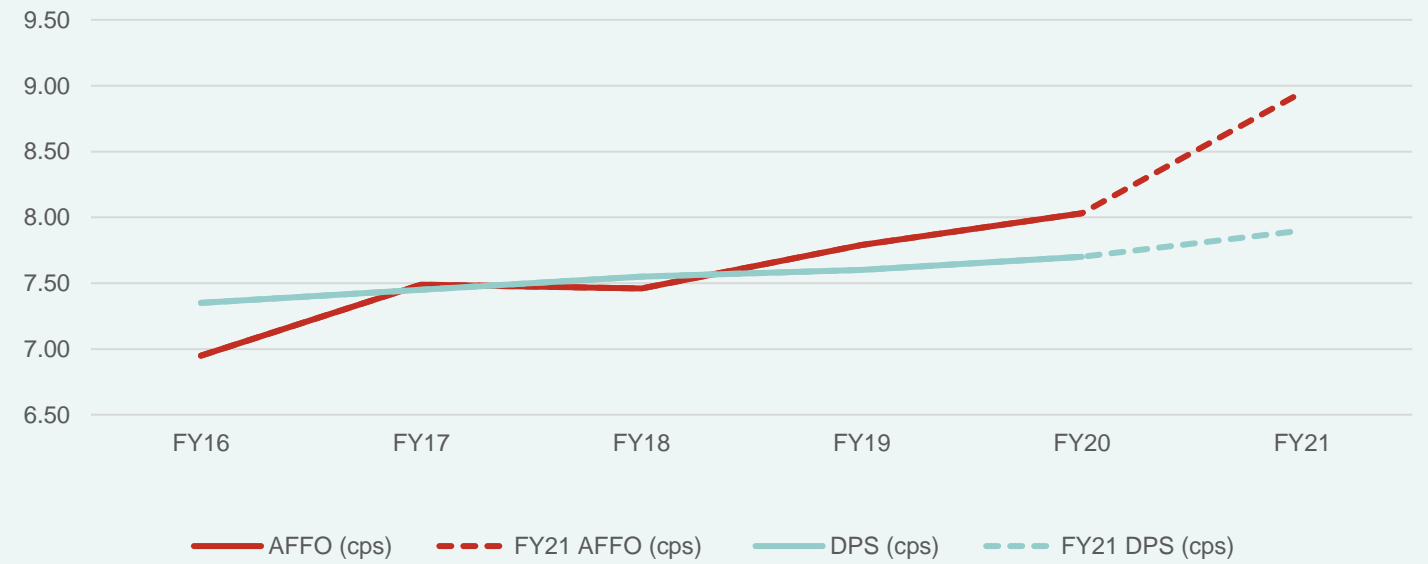


- Profit after tax of \$273.5 million
- FFO earnings of 5.36 cents per share, 0.58 cents per share or 12.1%, AFFO earnings of 4.71 cents per share, 0.92 cents per share or 24.3%
- Net rental income (including AFFO adjustments) up \$5.7 million or 1.13 cents per share on the prior interim period
- Maintenance capex down \$0.7 million to 16 basis points (annualised)
- Effective tax rate of 19.2% up 2.4% on the prior interim period
- Admin expenses increase due to impact of new hires and IT project, constant as a % of average property values and rent

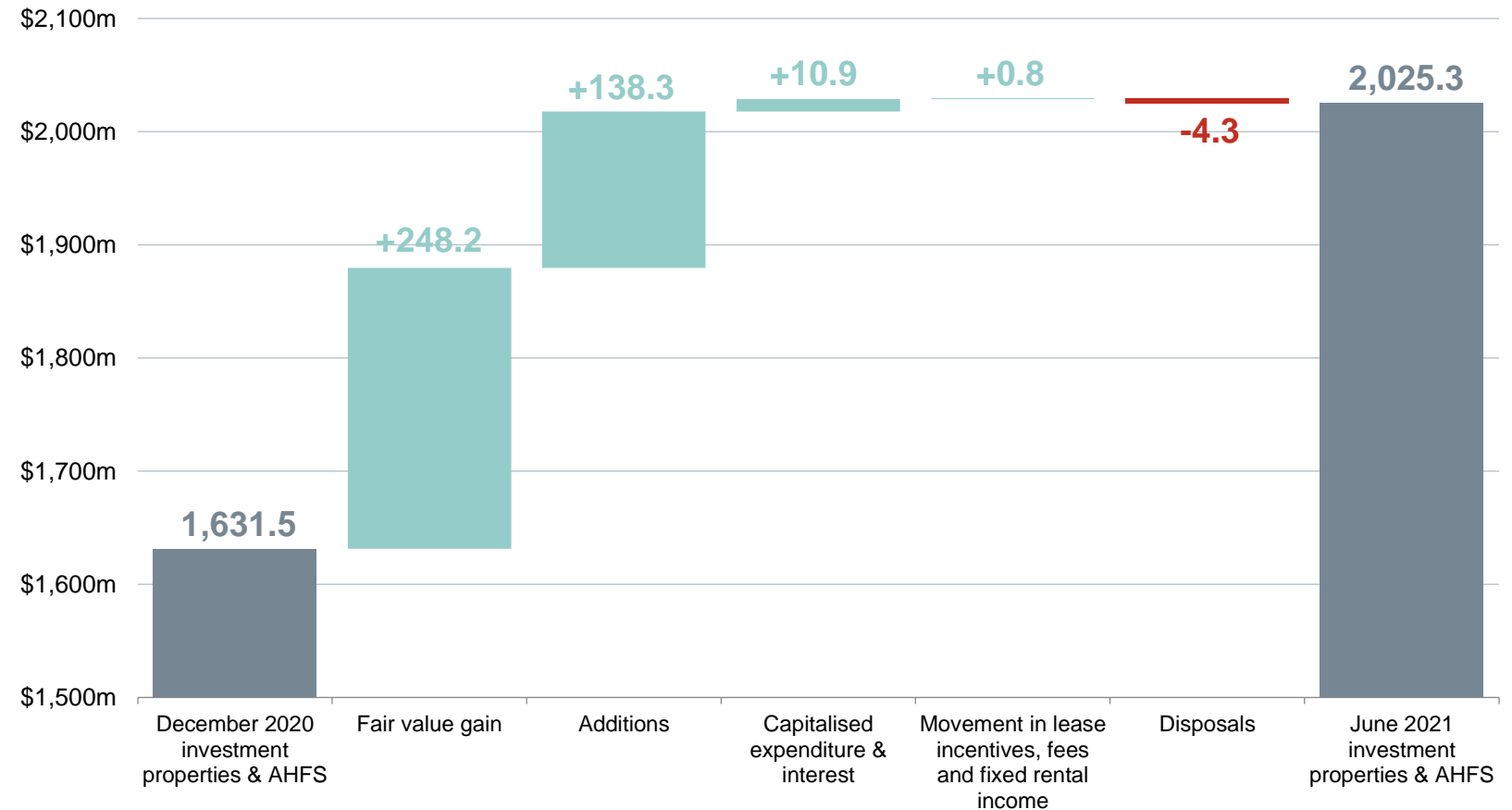


- H1 2021 cash dividends total 3.60 cps, in line with H1 2020
- Dividend reinvestment scheme in place for Q1 and Q2 dividends, 2% discount
- 2021 dividend target at the upper end of the guidance range of 7.90 cents per share
- Dividend policy revised, dividends will reflect 90% to 100% of Adjusted Funds From Operations or AFFO on a rolling three-year historic average basis
- Revised policy aims to ensure PFI can continue to grow dividends, whilst at the same time pursuing strategic and value enhancing initiatives
- Guidance subject to no material adverse changes in conditions or unforeseen events, including no material tenant failures or further material COVID-19 restrictions, other than those in place as at the date of this presentation

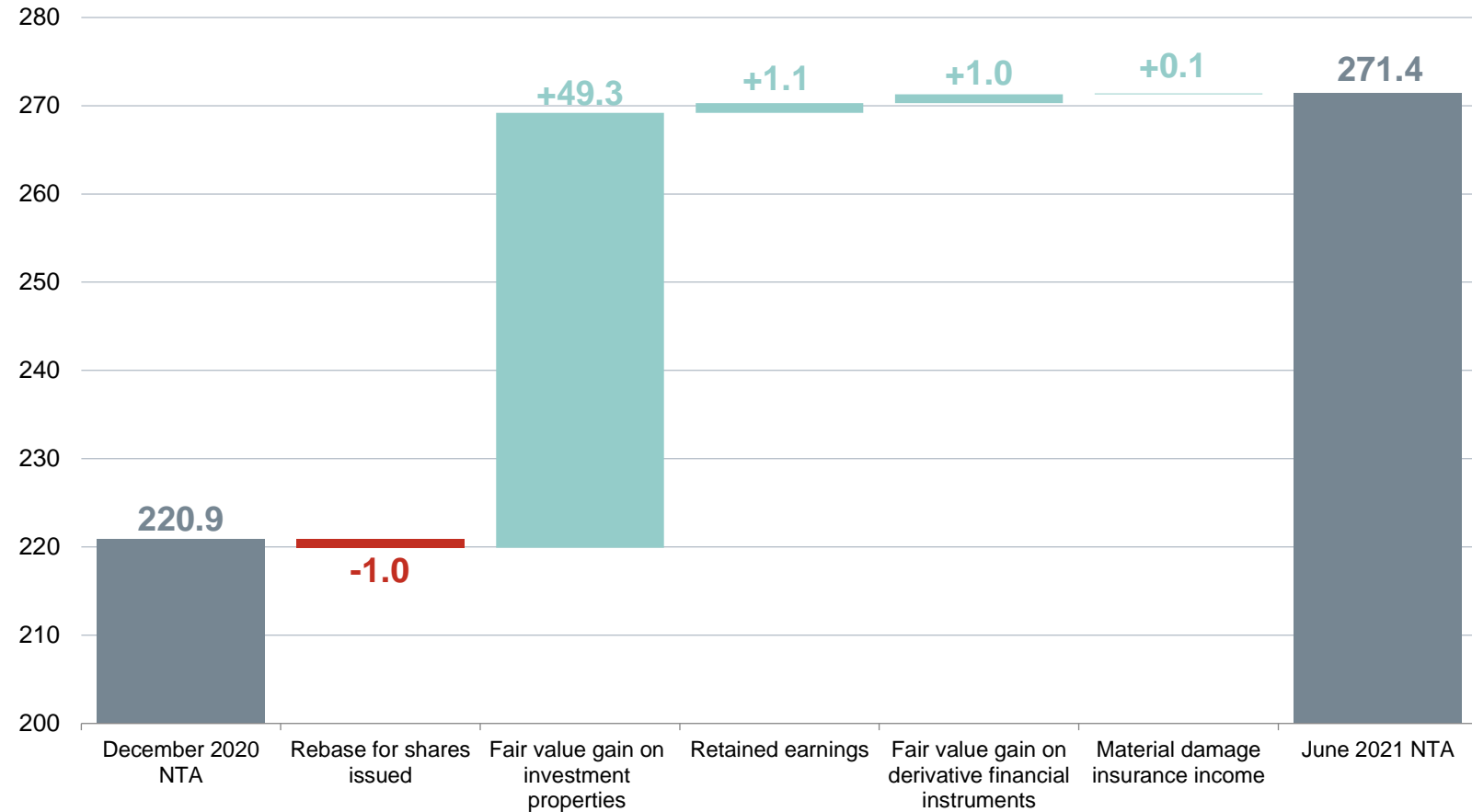
EARNINGS	H1 2021 CPS	H1 2020 CPS	CHANGE
FUNDS FROM OPERATIONS	5.36	4.78	+0.58 CPS or +12.1%
ADJUSTED FUNDS FROM OPERATIONS	4.71	3.79	+0.92 CPS or +24.3%



- Portfolio value of ~\$2.03 billion, including the Carlaw Park properties, which are classified as assets held for sale (AHFS)
- Total fair value gains on properties of \$248.2 million for the interim period
- 670-680 Rosebank Road, Avondale, purchased in January 2021, \$39.0 million
- Additional warehouse at 25 Langely Road, Wiri, settled in February 2021, \$7.5 million
- 44 Noel Burnside Road, Wiri, purchased in May 2021, \$91.7 million
- Significant capex at 59 and 47A Dalgety Drive (redevelopment and development) and 124 Hewletts Road (new breezeway canopy)



- Net tangible assets (NTA) per share increased by 50.5 cents per share or 22.9%
- Change in NTA per share driven by the increase in the fair value of investment properties (+49.3 cps), retained earnings (+1.1 cps), the decrease in the net fair value liability for derivative financial instruments (+1.0 cps) and material damage insurance income (+0.1 cps)





Capital
Management

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CAPITAL MANAGEMENT

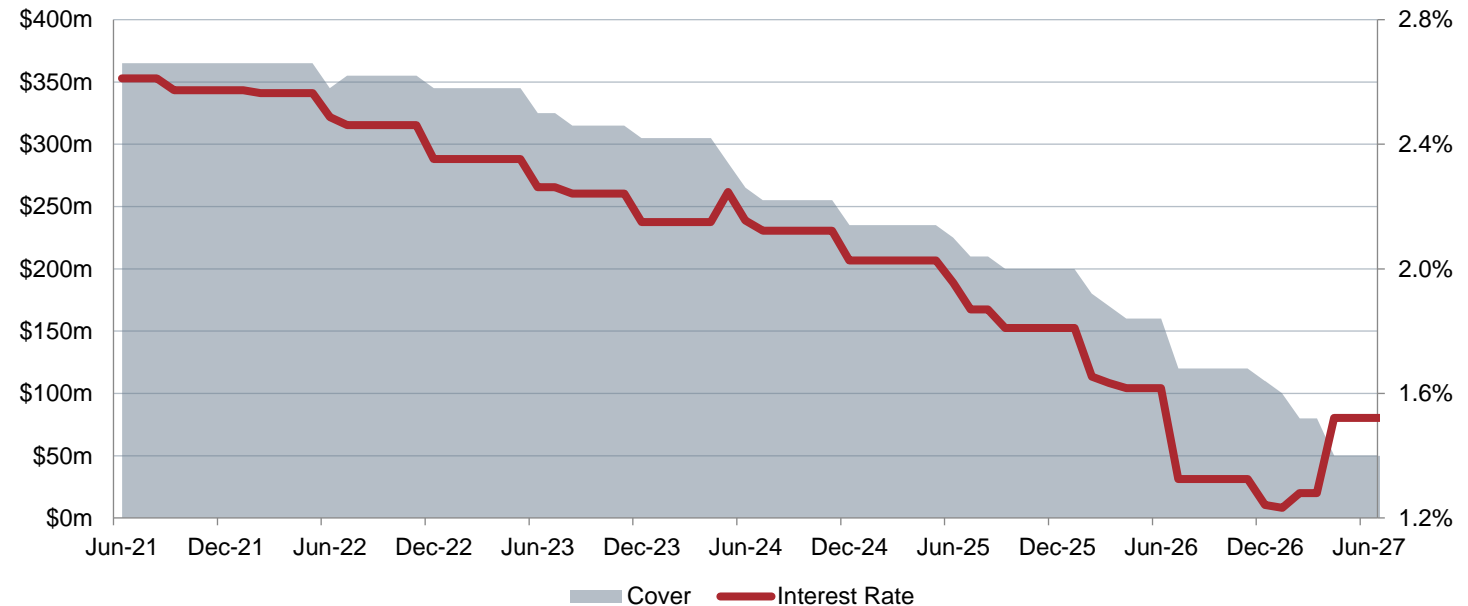
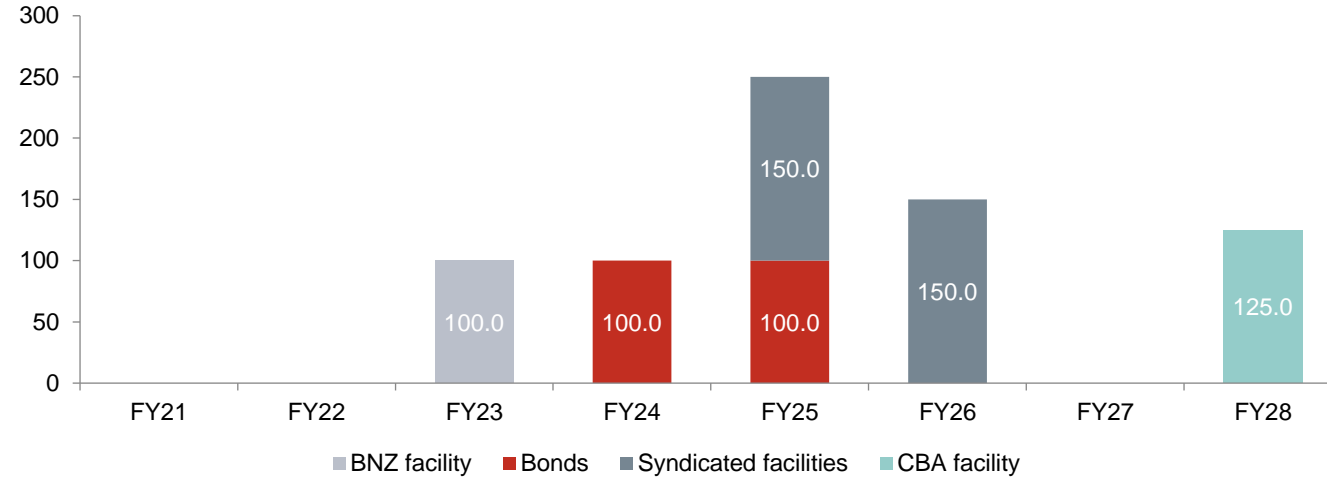


- \$100 million CBA liquidity facility increased to \$125 million and extended in April 2021
- \$300 million syndicated facilities refinanced in July 2021, with an additional \$100 million facility secured from BNZ
- High levels of liquidity from a diverse range of sources, and the proceeds from the contracted divestment of Carlaw Park, provide PFI with funding flexibility to execute on strategy

	REFINANCE	JUNE 2021	DECEMBER 2020
FUNDING			
BANK FACILITIES DRAWN	-	\$405.4m	\$289.9m
BANK FACILITIES LIMIT	\$525.0m (▲\$100.0m)	\$425.0m	\$400.0m
BANK FACILITIES HEADROOM	(▲\$100.0m)	\$19.6m	\$110.1m
FIXED RATE BONDS	-	\$200.0m	\$200.0m
FUNDING TERM (AVERAGE)	(▲~1.0 year)	3.5 years	2.8 years
BANKS	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
COVENANTS			
LOAN-TO-VALUE RATIO (COVENANT: <50%)	-	30.0%	30.0%
INTEREST COVER RATIO (COVENANT: >2.0X)	-	4.5 times	4.1 times
INTEREST RATES			
WEIGHTED AVERAGE COST OF DEBT	-	3.40%	3.75%
INTEREST RATE HEDGING (EXCL. FORWARD STARTING)	-	\$365m / 2.61% / 3.5 years	\$295m / 3.07% / 3.1 years
FORWARD STARTING INTEREST RATE	-	\$90m / 2.78% / 4.0 years	\$110m / 3.09% / 3.7 years



- Post refinance, average term to expiry of bank facilities and bonds (top graph) of ~4.4 years, \$119.6 million of unutilised bank facility capacity
- Fixed rate payer hedging profile (bottom graph) provides for an average of ~64% of debt to be hedged at an average fixed rate of ~2.59% for the remainder of 2021, with the remainder on low float interest rates



05

ESG



Our ESG Framework

ESG STRATEGIC PILLARS

- Health, safety and wellbeing
- Resource efficiency
- Long-term thinking

ESG STRATEGIC THEMES

- Taking care of our team
- Looking after our tenants
- Responsible property ownership
- Delivering for our investors

2021 - Highlights to date

- HVAC systems containing ozone-depleting gases replaced at six properties, resulting in an estimated 4% reduction in Scope 1 emissions
- New breezeway canopy built to help improve the environmental performance of the properties at the Hewletts Road estate
- Ongoing health and safety continuous improvement, including 65% reduction in high-risk landlord hazards at PFI properties
- Employee and investor ESG engagement sessions held
- Introduced staff volunteering policy

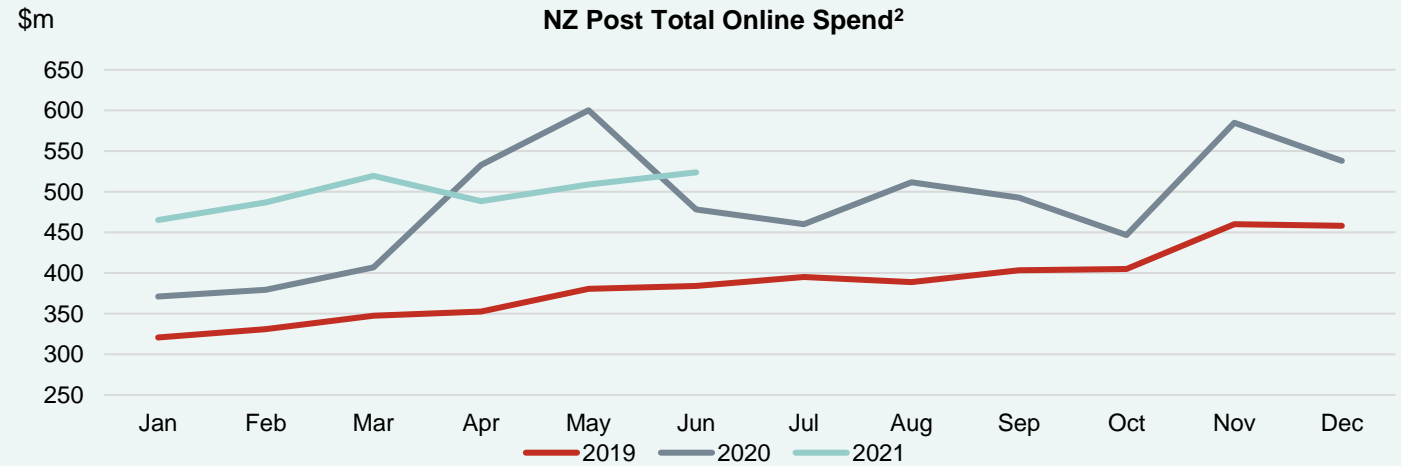
2021 – In progress

- Replacing further HVAC systems containing ozone-depleting gases
- Investigating installation of solar panels at selected PFI properties
- Targeting Green Star certification for upcoming developments
- Engaged S&P Global to investigate physical climate change risks associated with individual properties to support TCFD disclosures

006.

MARKET

- E-commerce penetration accelerated by COVID-19 pandemic, with online spend continuing to grow in 2021 (top graph)
- Online sales in New Zealand expected to grow from the current 11% to 17% (or \$9.3Bn) by 2025¹
 - Based on this growth in online sales alone, it is estimated an additional 230,000 sqm of warehouse space will be needed by 2025
- PFI’s portfolio set to benefit from this thematic, as tenant demand for well-located industrial property close to key transport links continues to grow
- CBRE “Auckland Property Market Outlook”, June 2021:
 - Further rental growth and yield compression forecast, reflecting favourable supply/demand conditions and strong economic growth expectations
 - Vacancy outlook remains unchanged on December 2020



CBRE AUCKLAND MARKET OUTLOOK		JUNE 2021	5-YEAR FORECAST: JUNE 2021	5-YEAR FORECAST: DECEMBER 2020
PRIME INDUSTRIAL	– VACANCY	1.2%	1.1% ◀▶	1.1%
	– RENTS	\$147	+3.9% ▲	+2.5%
	– YIELDS	4.22%	4.15% ▼	4.26%
SECONDARY INDUSTRIAL	– VACANCY	1.8%	1.6% ◀▶	1.6%
	– RENTS	\$118	+3.7% ▲	+2.3%
	– YIELDS	5.30%	5.09% ▼	5.22%

¹ CBRE “Auckland Property Market Outlook”, June 2021, ² NZ Post Data



Our Priorities

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07

OUR PRIORITIES





PURPOSE

We generate income for investors as professional landlords to the industrial economy, generating prosperity for New Zealand.



VISION

We will be one of New Zealand's foremost Listed Property Vehicles. Our measures will be performance, quality, scale and reputation.



STRATEGY

We will build on what we have and we're true to who we are. But we will be more intentional; more proactive.



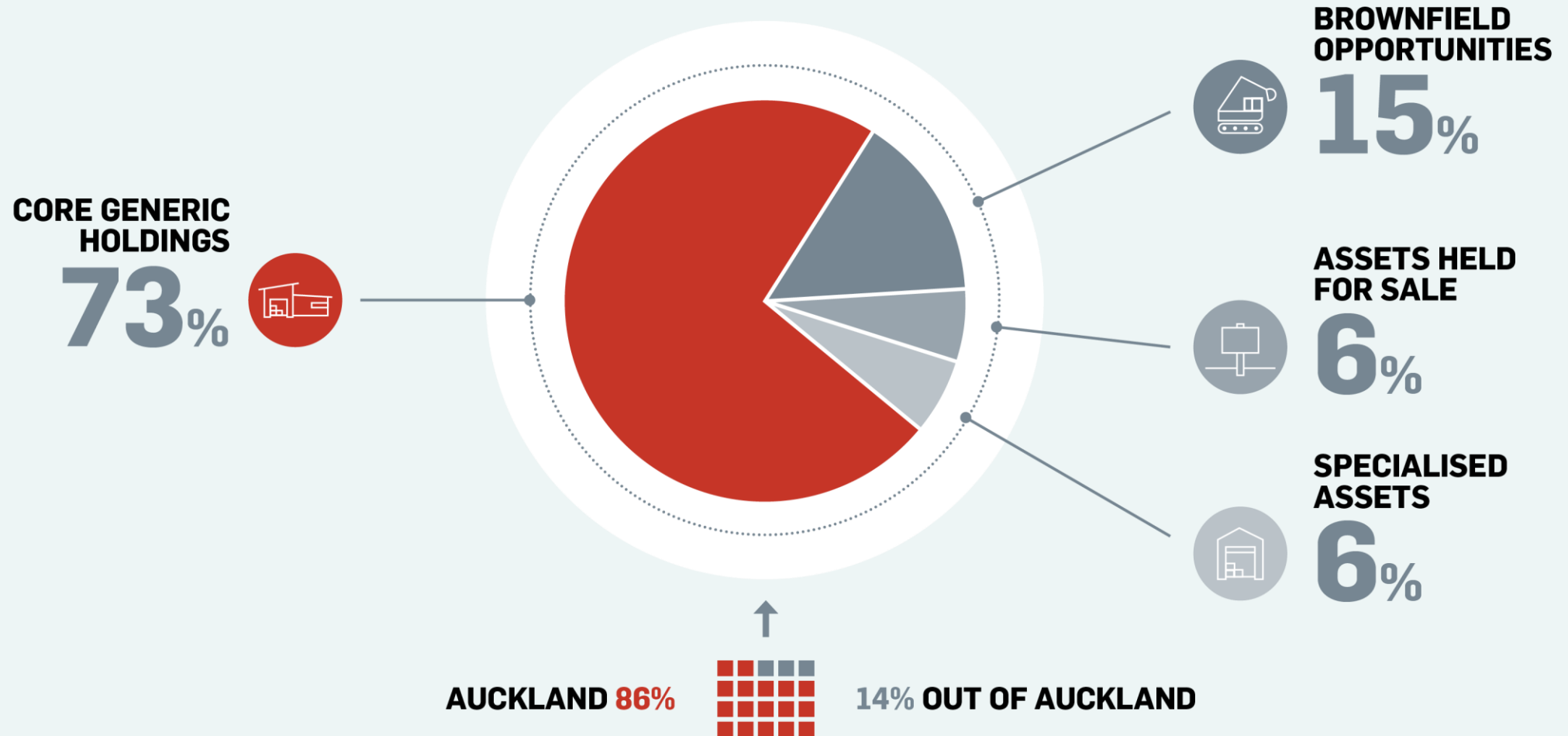
FIRST CLASS
MANAGEMENT



CONTINUOUS
PORTFOLIO
IMPROVEMENT



GROWING
RETURNS
TO SHAREHOLDERS



670-680

**ROSEBANK ROAD,
AVONDALE**

- Purchased for \$39.0 million in January 2021
- Located on a 2.8ha site, 250 metres from North Western motorway
- PFI already owned neighbouring sites on Rosebank and Patiki Roads, together these create a 8.6ha industrial estate, valued in excess of \$125 million
- Opportunity to create value by integrating with existing properties



670-680 ROSEBANK ROAD, AVONDALE



44

NOEL BURNSIDE ROAD, WIRI

- Purchased for \$91.7 million in May 2021
- Large, modern 17,500 sqm warehouse with 2,200 sqm of canopies and 12,250 sqm of yards
- Property is fully leased on a triple-net basis for an initial two-year period, with a commencement rental of \$3.64 million
- Once a long-term lease is secured, this property would then move into “core generic” classification



44 NOEL BURNSIDE ROAD, WIRI



30-32

BOWDEN ROAD, MT WELLINGTON

- Large 3.9ha site in one of Auckland’s prime industrial locations
- Good links to Southern Motorway, dual access from both Bowden Road and Gabador Place
- Versatile site that can accommodate large-scale or multiple tenant designs
- March 2023 lease expiry to provide PFI with a significant redevelopment opportunity, which could involve an investment of ~\$50 million



30-32 BOWDEN ROAD, MT WELLINGTON



CARLAW PARK & SHED 22

- Contracted divestment of Carlaw Park expected to settle towards end of FY21
- Shed 22 seismic strengthening works underway, to be divested following the completion of works
- After planned divestments:
 - Pro forma LVR of 25.4%;
 - Portfolio will be 98.8% industrial;
 - 85.6% of portfolio will be located in Auckland

	JUNE 2021	CARLAW PARK DIVESTMENT	SHED 22 DIVESTMENT	PRO FORMA
INVESTMENT PROPERTIES & AHFS	\$2,025.3m	-\$110.0m ▼	-\$11.4m ▼	\$1,904.0m
TOTAL DRAWN BORROWINGS	\$605.4m	-\$110.0m ▼	-\$11.4m ▼	\$484.1m
CONTRACT RENT	\$96.3m	-\$6.8m ▼	-\$0.9m ▼	\$88.6m
LOAN-TO-VALUE RATIO	30.0%	-3.7% ▼	-0.8% ▼	25.4%
AUCKLAND PROPERTY	85.9%	-0.8% ▼	+0.5% ▲	85.6%
INDUSTRIAL PROPERTY	92.9%	+5.3% ▲	+0.6% ▲	98.8%



124

HEWLETTS ROAD, MT MAUNGANUI

- New \$3.5 million breezeway canopy near completion
- Canopy to help improve the environmental performance of the properties at the Hewletts Road estate
- Following interim valuations, the estate is now valued at more than \$130 million



124 HEWLETTS ROAD, TAURANGA





Review &
Questions

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08

REVIEW &
QUESTIONS



HIGHLIGHTS:

- Record interim result
- Robust balance sheet
- Quality portfolio of scale
- Strategy refreshed and progressed
- Increased dividend targeted and revised dividend policy

LOOKING FORWARD:

- Industrial property continues to perform
- Occupier and investor demand for industrial property remains robust, supported by continued low levels of vacancy and projected rental growth
- Demand for industrial space due to increased e-commerce volumes, favourable supply/demand conditions and strong economic growth expectations
- PFI's portfolio and strategy are benefiting from these dynamics
- Outlook subject to no further material COVID-19 restrictions, other than those in place as at the date of this presentation

Questions?

The information included in this presentation is provided as at 20 August 2021 and should be read in conjunction with the NZX results announcement, NZX Form – Results Announcement, NZX Form – Distribution Notice, and interim financial statements issued on that same day.

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