



# Frasers Logistics & Industrial Trust

## RESULTS PRESENTATION

For the Quarter ended 31 December 2017 (1QFY18)



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**LOGISTICS & INDUSTRIAL**  
**TRUST**

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- Overview
- Financial Review
- Portfolio Review
- Strategy and Outlook





20 – 22 Butler Boulevard, Adelaide Airport

# OVERVIEW



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# 1QFY18 Performance Snapshot

DPU<sup>(1)(2)</sup>

**1.80**

Singapore cents

3.4% increase from  
1.74 Singapore  
cents in 1QFY17

Lease renewals

**66,737**

sq m

WALE extended to  
6.79 years from  
6.75 years<sup>(3)</sup>

Completed

**TWO**

Development  
Properties

+45,072 sq m to  
Portfolio GLA

Completed

**FIRST**

AEI<sup>(4)</sup>

Ahead of schedule  
in December 2017

(1) Distributions will be made on a semi-annual basis for the six-month periods ending 31 March and 30 September

(2) 1QFY18 DPU is calculated based on 78.1% (1QFY17: 100%) of management fees to be taken in the form of units and after taking into consideration the forward foreign currency exchange contracts entered to hedge the currency risk for distribution to Unitholders at A\$1.00:S\$1.0583 (1QFY17 A\$1.00:S\$1.00)

(3) As at 30 September 2017

(4) Asset Enhancement Initiative

As at 31 December 2017

61

Properties In  
Australia

A\$1.93

billion

Portfolio Value

1,332,957

sq m

Portfolio GLA

99.4%

Portfolio  
Occupancy

3.1%

per annum

Average Fixed  
Rent Increases<sup>(1)</sup>

6.79

years

WALE<sup>(2)</sup>

7.1

years

Average Portfolio  
Age

95.7%

Tenant Retention  
Rate<sup>(1)</sup>

(1) For all leasing transactions since FLT's listing  
(2) Weighted Average Lease Expiry

## Leasing Activities

- Three lease renewals with a total GLA of 66,737 sq m
- Representing approximately 5.0% of portfolio GLA
- Tenant retention rate: 95.7%<sup>(1)</sup>

## Development Properties

- Practical completion for the Beaulieu facility (166 Pearson Road, Yatala, Queensland) on 13 October 2017
- Practical completion for the Stanley Black & Decker facility (29 Indian Drive, Keysborough, Victoria) on 17 November 2017
- Remaining development property, the Clifford Hallam facility (17 Hudson Court, Keysborough, Victoria), targeted for completion by May 2018

## Asset Enhancement

- 1,219 sq m expansion works at the Stramit facility (57-71 Platinum Street, Crestmead, Queensland) completed on 19 December 2017
- Upgrade works included the installation of a 773 sq m awning, building upgrades and sustainability initiatives including a 125kW solar PV system

(1) For all leasing transactions since FLT's listing





43 Efficient Drive, Truganina, Victoria

# FINANCIAL REVIEW



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# Financial Performance (Quarter ended 31 December 2017)

(A\$'000)	1QFY18	1QFY17 <sup>(1)</sup>	Change (%)	Contributing factors
Gross revenue	42,430	39,678	6.9	<ul style="list-style-type: none"> <li>The four completed properties of the Acquisition Transaction<sup>(3)</sup> and the Beaulieu and Stanley Black &amp; Decker facilities which achieved practical completion on 13 October 2017 and 17 November 2017 respectively contributed Adjusted NPI of A\$1.9 million.</li> <li>Full quarter's contribution from the Martin Brower call option property which was acquired on 30 November 2016.</li> </ul>
Adjusted net property income <sup>(2)</sup>	33,391	30,666	8.9	
Finance costs	(4,770)	(4,098)	(16.4)	<ul style="list-style-type: none"> <li>Due to higher borrowings of A\$75 million drawn to finance the Acquisition transaction. Weighted average cost of borrowings for 1QFY18 and 1QFY17 was unchanged at 2.8% excluding upfront debt related expenses.</li> </ul>
Distributable income to Unitholders	25,854	24,877	3.9	<ul style="list-style-type: none"> <li>Higher Adjusted Net Property Income;</li> <li>Coupon interest income from the three development properties of the Acquisition Transaction;</li> </ul> which were partially offset by: <ul style="list-style-type: none"> <li>Higher finance costs; and</li> <li>Higher withholding tax paid on interest income and higher distributable income</li> </ul>
DPU (Australian cents)	1.70	1.74	(2.3)	<ul style="list-style-type: none"> <li>Higher distributable income;</li> <li>Higher hedged exchange rate of A\$1.00:S\$1.0583 (1QFY17: A\$1.00:S\$1.00);</li> </ul> which were partially offset by: <ul style="list-style-type: none"> <li>Higher number of units in issue compared to 1QFY17<sup>(4)</sup>; and</li> <li>The Manager electing to receive 78.1% (1QFY17: 100%) of management fees in the form of units (For illustration and comparison purposes only, assuming 100% of management fees had been taken in the form of units, 1QFY18 DPU would have been 1.75 Australian cents (1QFY17: 1.74 Australian cents)).</li> </ul>
DPU (Singapore cents)	1.80	1.74	3.4	

(1) The comparative figures are for the quarter from 1 October 2016 to 31 December 2016. These figures are extracted from Paragraph 1 of FLT's Financial Statements Announcement dated 3 February 2017

(2) Net property income excluding straight lining adjustments for rental income and after adding back straight lining adjustments for ground leases

(3) On 6 June 2017, FLT announced its first portfolio acquisition of seven industrial properties located in Australia comprising four completed properties and three development properties for an aggregate consideration of approximately A\$169.3 million (the "Acquisition Transaction")

(4) Due to the issuance of management fee units and the placement units for the Acquisition Transaction

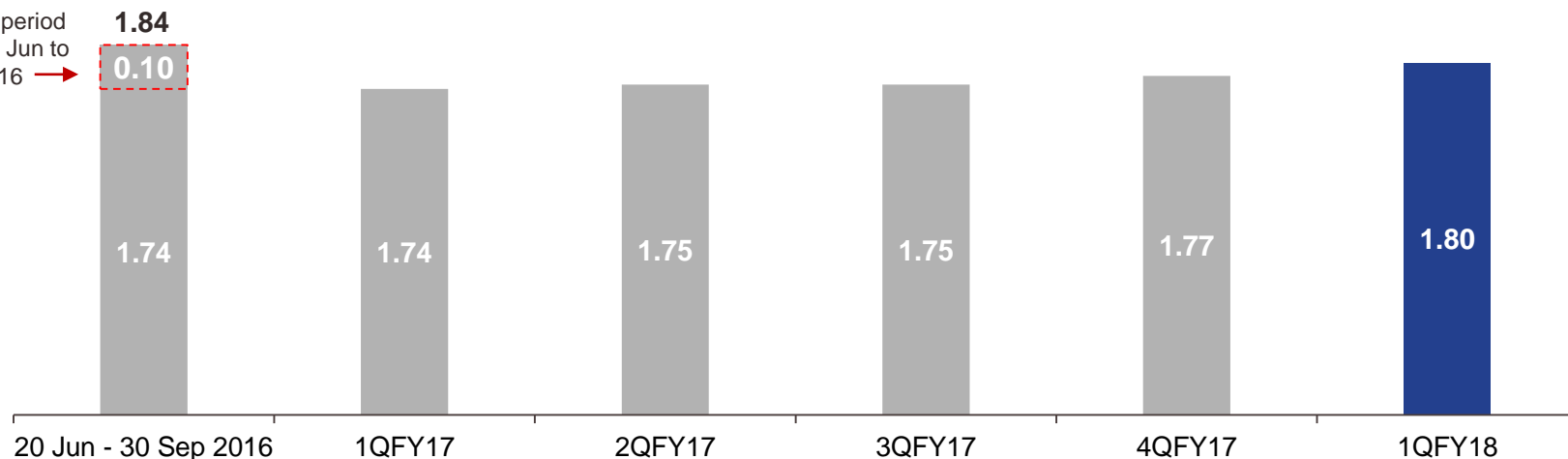
## Distribution Policy

- FLT's distribution policy was to distribute 100% of FLT's Distributable Income for the period from 20 June 2016 (the "Listing Date") to 30 September 2017. From FY2018, FLT will distribute at least 90.0% of its Distributable Income
- Distributions will be made on a semi-annual basis for the six-month periods ending 31 March and 30 September. The actual level of distribution above 90% is to be determined at the REIT Manager's discretion

## DPU History

(Singapore cents)

For the period  
from 20 Jun to  
30 Jun 16 →



## For 1QFY18

- DPU of 1.80 Singapore cents translates into an annualised yield of approximately 6.2%<sup>(1)</sup>

(1) Based on FLT's closing unit price of S\$1.160 as at 31 December 2017.

# Balance Sheet

Value of investment properties increased 0.9% from A\$1.91 billion as at 30 September 2017 to A\$1.93 billion as at 31 December 2017, due mainly to:

- Completion of the Beaulieu facility on 13 October 2017 and Stanley Black & Decker facility on 17 November 2017; and
- Completion of enhancement works to the Stramit facility on 19 December 2017

(A\$'000)	As at 31 Dec 2017	As at 30 Sep 2017
Investment properties	1,927,405	1,910,975
Other non-current assets	2,346	3,077
Current assets	57,330	62,272
<b>Total assets</b>	<b>1,987,081</b>	<b>1,976,324</b>
Non-current liabilities	628,903	592,797
Current liabilities	18,442	46,011
<b>Total liabilities</b>	<b>647,345</b>	<b>638,808</b>
<b>Net asset value per Unit (A\$)</b>	<b>0.88</b>	<b>0.88</b>
<b>Net asset value per Unit (S\$)</b>	<b>0.91<sup>(1)</sup></b>	<b>0.94<sup>(2)</sup></b>

(1) Based on exchange rate of A\$1.00:S\$1.0364

(2) Based on exchange rate of A\$1.00:S\$1.0636



# Capital Management

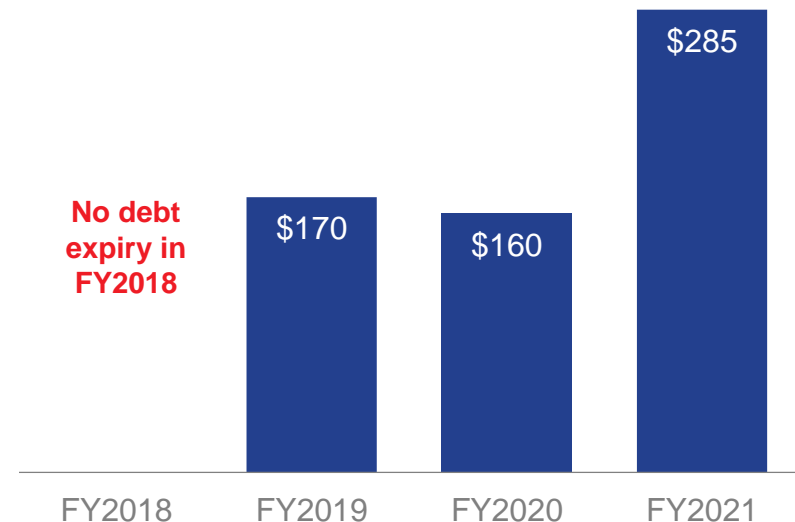
- 68% of borrowings are at fixed interest rates, which mitigates volatility from potential fluctuations in borrowing costs
- Available debt headroom of A\$508 million to reach 45.0% aggregate regulatory leverage limit

As at 31 December 2017

Aggregate Leverage	Total Gross Borrowings
30.9%	A\$615 million
Weighted Average Cost of Borrowings <sup>(1)</sup>	Interest Coverage Ratio
2.8%	7.8 times

Average Weighted Debt Maturity: 2.7 years

**Debt Maturity Profile  
(A\$m)**



(1) Excluding upfront debt related expenses



51 Stradbroke Street, Heathwood, Queensland

# PORTFOLIO REVIEW



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# Well-diversified Tenant Base

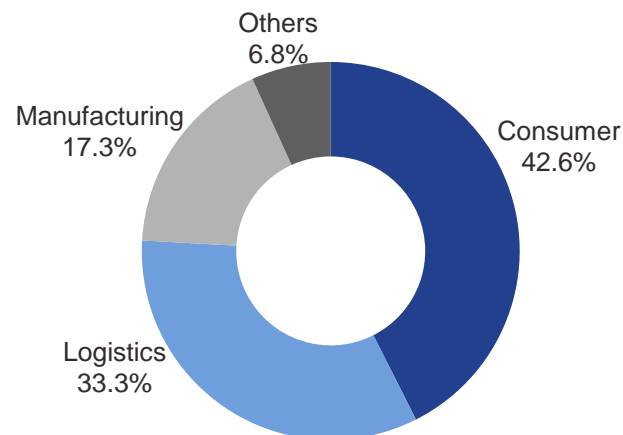
## Top 10 Tenants

(% of Gross Rental Income ("GRI") contribution<sup>(1)</sup>)

	% of GRI	WALE (Years)
<b>Coles</b>	13.4	10.8
<b>CEVA Logistics</b>	4.9	7.4
<b>Schenker</b>	4.3	6.9
<b>Toll Holdings</b>	3.1	1.9
<b>TTI</b>	3.1	4.6
<b>Martin Brower</b>	2.9	18.7
<b>Mazda</b>	2.8	6.2
<b>H.J. Heinz</b>	2.6	9.0
<b>Unilever</b>	2.3	5.4
<b>Inchcape</b>	2.1	3.2

## Breakdown of Tenants By Trade

(by GRI<sup>(1)</sup>)



### Consumer sector tenants



### Logistics sector tenants

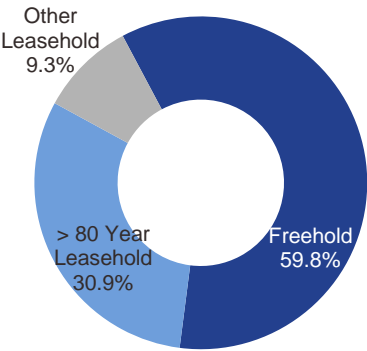


(1) For the month of December 2017. Excludes the development property at 17 Hudson Court, Keysborough, Victoria and straight lining rental adjustment

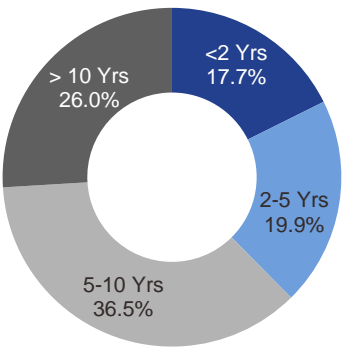


- 90.7% of FLT’s portfolio (by value) comprised freehold and long leasehold land tenure assets
- 74.0% of FLT’s portfolio (by GLA) is less than 10 years old with lower capital expenditure requirements

Land Tenure by Value<sup>(1)</sup>

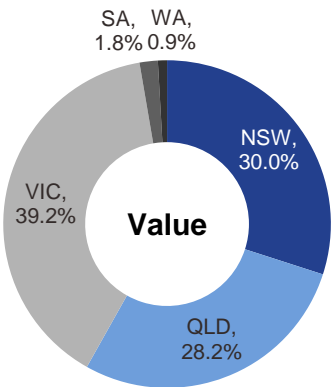
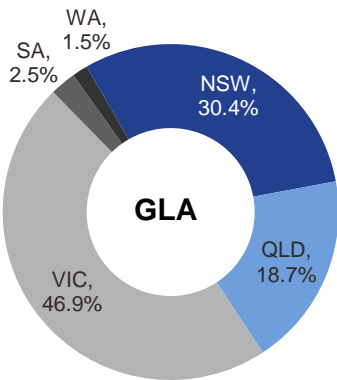


Portfolio Age by GLA



Geographical Breakdown by GLA and Value

- Diversified portfolio across five states in Australia
- Focus on Australia’s three largest capital cities of Sydney, Melbourne and Brisbane

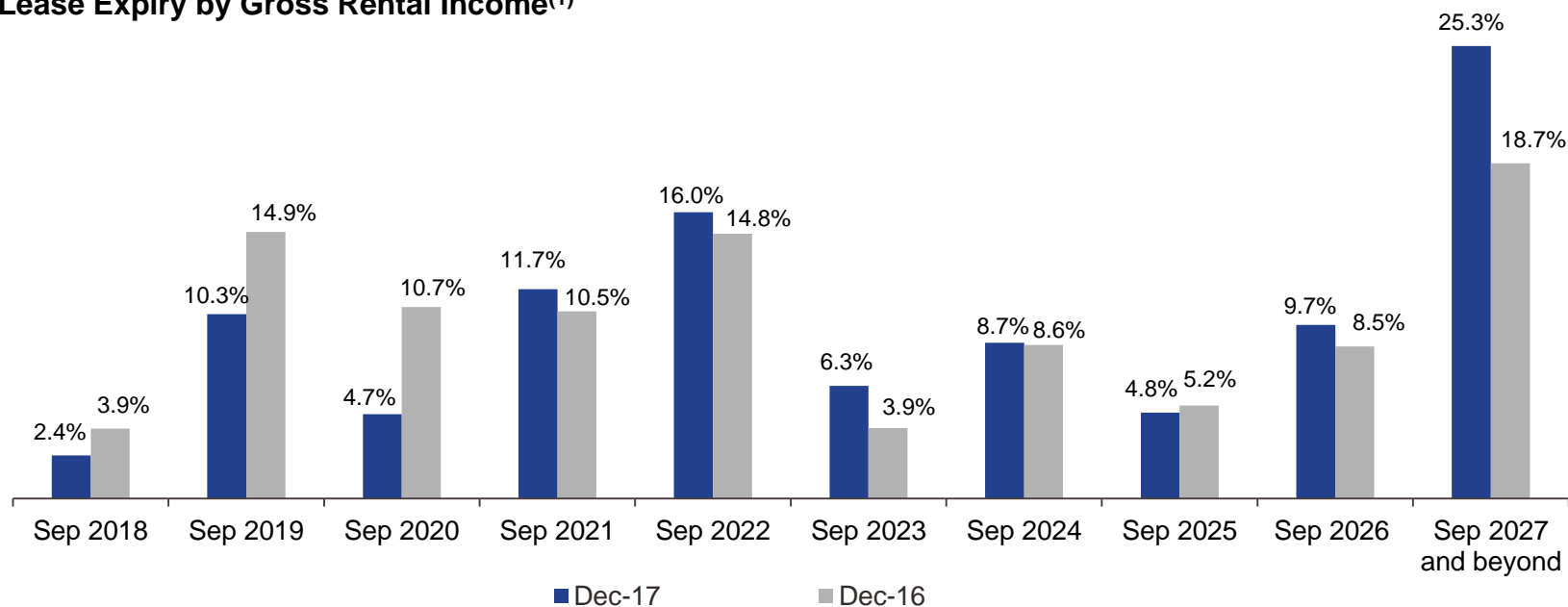


(1) Valuation as at 30 September 2017

# Portfolio Lease Expiry Profile

- Only 2.4% lease expiries to end FY2018
- No concentration risk of lease expiry (no single financial year has more than 16% lease expiries up to 30 September 2026)
- Provides stability of cash flows

## Lease Expiry by Gross Rental Income<sup>(1)</sup>



(1) As at 31 December 2017. Excludes the development property at 17 Hudson Court, Keysborough, Victoria and straight lining rental adjustments

## Three forward lease extensions further extending FLT's lease expiry profile

- Average reversion of -5.1% for 1QFY18



### **20-22 Butler Boulevard, Burbridge Business Park, South Australia**

5,590 sq m, 5-year lease extension with Agility Logistics from August 2019

- New Expiry Date: August 2024
- Annual Rent Increment: 3.00%



### **51 Stradbroke Street, Heathwood, Queensland**

14,916 sq m, 10-year lease signed with B&R Enclosures from 15 August 2020

- New Expiry Date: August 2030
- Annual Rent Increment: 3.00%
- Includes the installation of new LED lighting and a 200kW solar PV system



### **38-52 Sky Road East, Melbourne Airport, Victoria**

46,231 sq m, 3-year lease extension signed with Unilever from 1 June 2020

- New Expiry Date: May 2023
- Annual Rent Increment: 3.25%



# Status of Development Properties

## 166 Pearson Road, Yatala (Completed)



Location	Queensland
GLA	23,218 sq m
Acquisition Price	A\$34.0m
Land Title	Freehold
Lease Term	15 years
Practical Completion / Lease Commencement	13 Oct 2017

## 29 Indian Drive, Keysborough (Completed)



Location	Victoria
GLA	21,854 sq m
Acquisition Price	A\$31.1m
Land Title	Freehold
Lease Term	10 years
Practical Completion / Lease Commencement	17 Nov 2017

## 17 Hudson Court, Keysborough (Under Development)



Location	Victoria
Estimated GLA	21,200 sq m
Acquisition Price <sup>(1)</sup>	A\$29.7m
Land Title	Freehold
Lease Term	10 years
Estimated Completion / Lease Commencement	May 2018

(1) Final acquisition price will be subject to the actual surveyed area upon practical completion

## Expansion works to the property at 57-71 Platinum Street, Crestmead, Queensland

- Completed on 19 December 2017, ahead of schedule
- 1,219 sq m expansion to the warehouse, installation of a 773 sq m awning, building upgrades and sustainability initiatives including a 125kW solar PV system
- Return on cost of approximately 10%







Lot 1, 2 Burilda Close, Wetherill Park, New South Wales

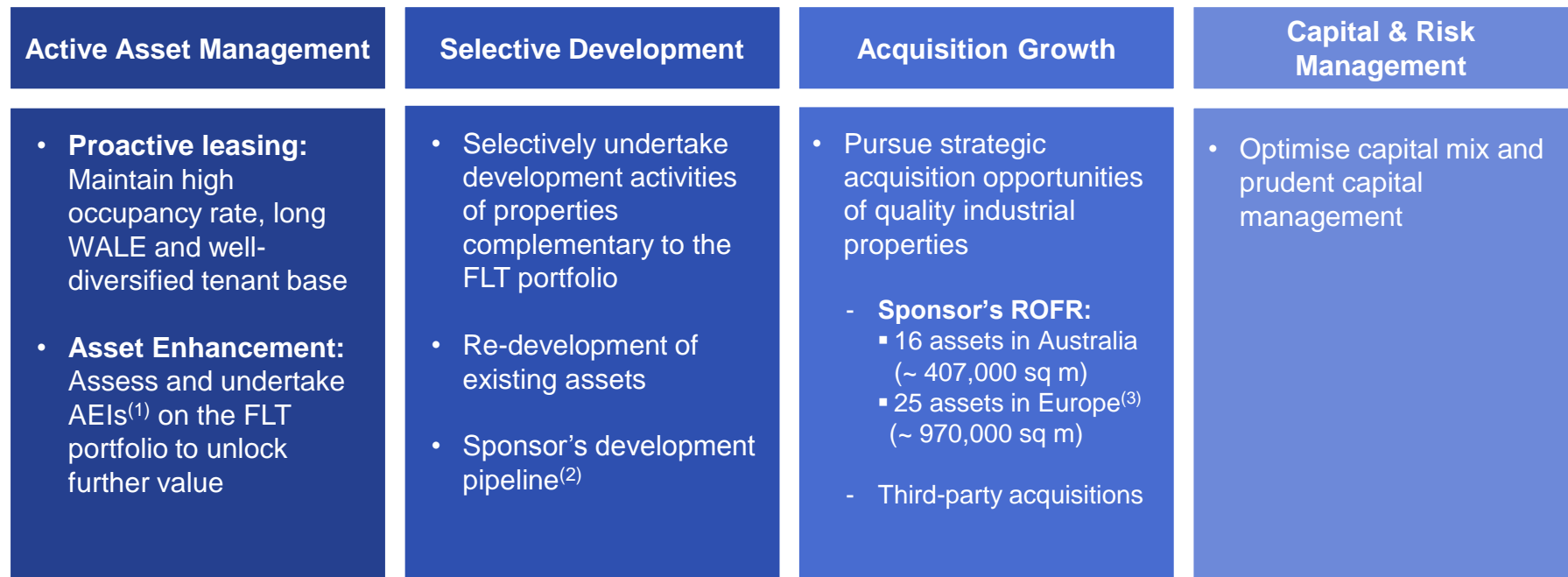
# STRATEGY AND OUTLOOK



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## To invest globally in a diversified portfolio of logistics and industrial assets

- Deliver stable and regular distributions to unitholders
- Achieve long term growth in DPU



(1) Asset Enhancement Initiative

(2) Only completed income-producing real estate assets which are used for logistics or industrial purposes are included in the ROFR

(3) Includes the United Kingdom

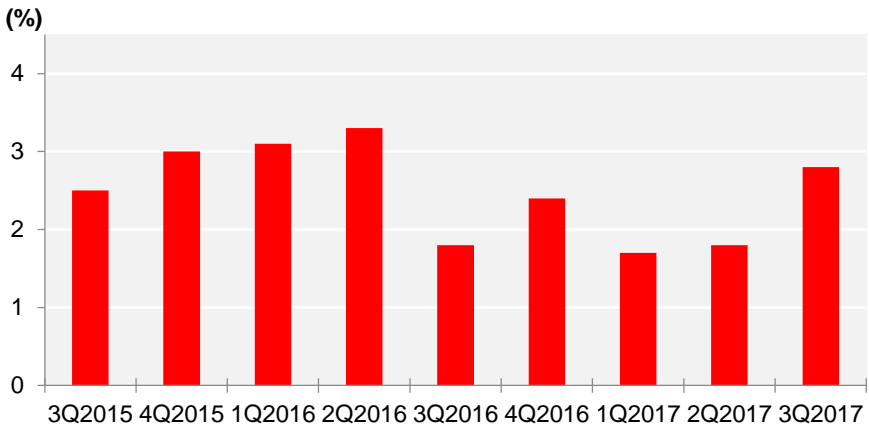


# Australian Economy Snapshot

## Economic Growth

- Australian economy has improved over 2017 with year-on-year GDP growth of 2.8%, consistent with the RBA's expectation that growth in the Australian economy will gradually pick up over the coming year.
- The outlook for non-mining investment has improved further and reported business conditions are high.
- Increased public infrastructure investment has supported the economy, together with the continuing growth in exports to China.
- Population growth exceeded FY17 forecasts at 1.6%, underpinned by steady growth in net overseas migration.

Australian GDP Annual Growth Rates



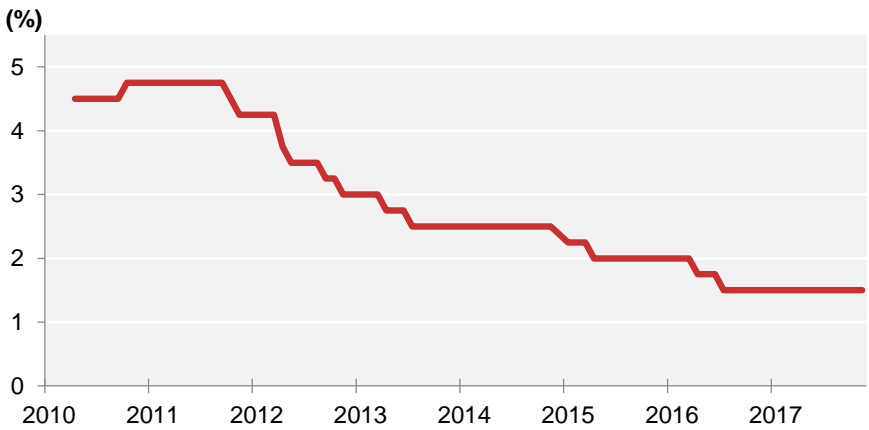
## Official Interest Rates

- The RBA maintained the cash rate at 1.5%.
- Australian government 10 year bond yields at 2.67%.

## Unemployment Rate

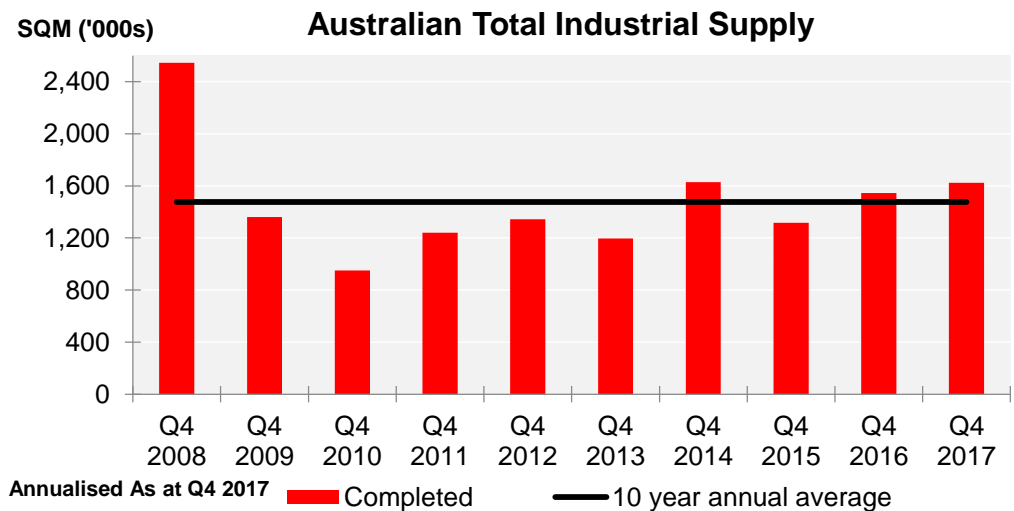
- Low unemployment rate of 5.5% with workforce participation rate increasing to 65.7%
- Wage growth is expected to pick up gradually as the labour market strengthens.

Australian Cash Rate



# Australian Industrial Market

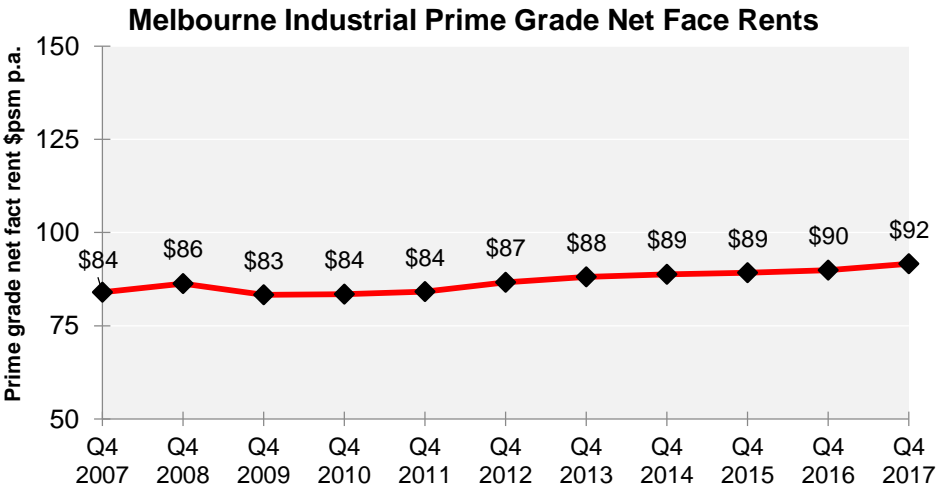
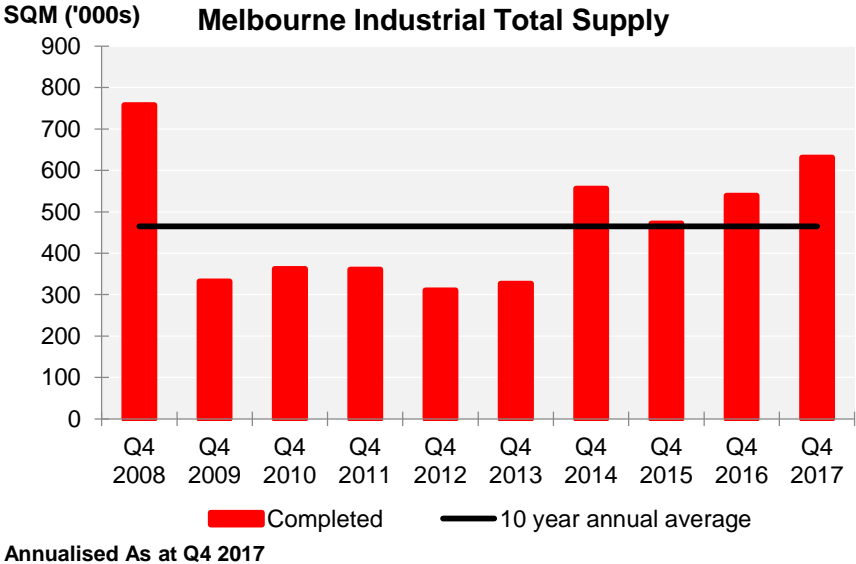
- Australian industrial supply is above the long term average with robust additions recorded in 4Q17. Construction activity is predominantly concentrated in eastern seaboard cities, accounting for 1.5 million sqm or 93% of total development.
- Occupier demand has been strong in both pre-commitment and existing vacancies with year-to-date take-up levels totalling 2.4 million sqm (17% above the 10-year average).
- Australian investment volume remains below the 5-year average which reflects fewer assets available on the market. Given limited access to assets, portfolio sales have been highly sought after by institutional investors in order to gain scale.
- The positive spillover effects from infrastructure investment have been observed throughout 2017. Land value uplift has been realised across several markets, especially in Sydney's Outer West.



Sources: JLL Real Estate Intelligence Service – Industrial Market Snapshot 4Q 2017; Jones Lang LaSalle Real Estate Data Solution – Industrial Occupier Moves from 4Q07 to 4Q17; Jones Lang LaSalle Real Estate Data Solution – Industrial Sales Transactions from 4Q07 to 4Q17

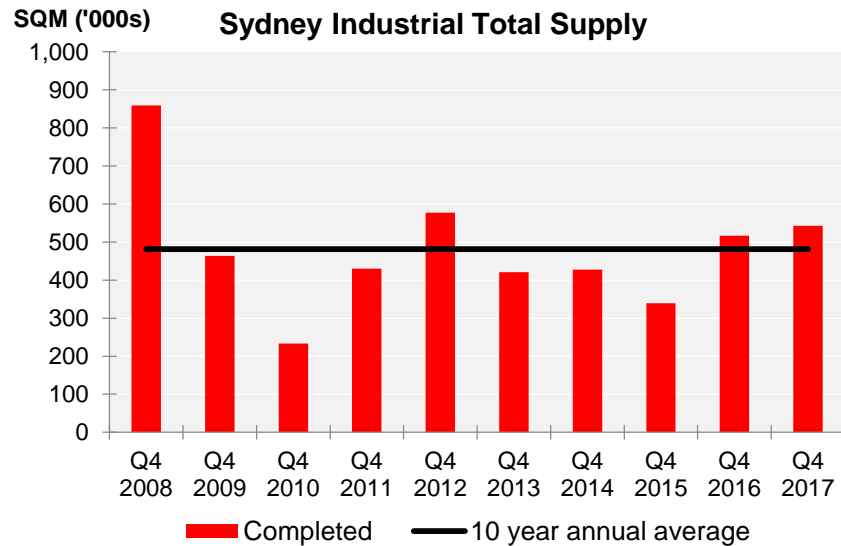
# Melbourne Industrial Market

- **Supply:** Supply levels throughout 2017 are 36% above the 10-year average with uptick in pre-commitment levels in the West.
- **Demand:** Leasing activity was subdued in 4Q17 however, annual gross take-up levels exceed the long term average and have been largely driven by demand for existing facilities in the West and the South East.
- **Rents:** Prime face rents have recorded growth over the year across all precincts (except for City Fringe).
- **Vacancy:** Net absorption remains positive as a result of good levels of tenant take-up in existing facilities, together with high levels of pre-commitment for new stock.

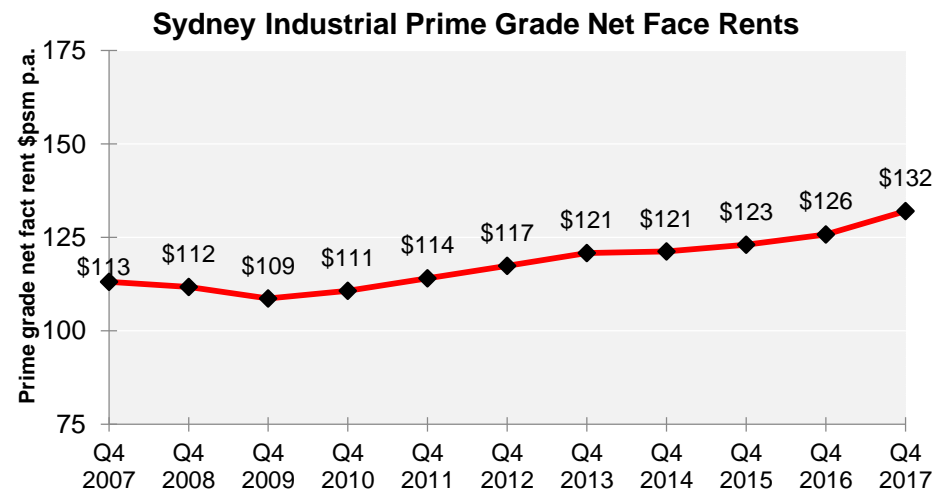


# Sydney Industrial Market

- **Supply:** Above-average supply is forecast to continue in 2018 with a number of projects currently under construction, including Goodman's Oakdale Industrial Estate at Eastern Creek. However, a constrained supply of serviced land is likely to limit the amount of development activity post 2018.
- **Demand:** Gross take-up has well exceeded the 10-year average, predominantly driven by pre-lease deals as developer incentivised, tenant relocation options have been more attractive compared to lease renewals of leases.
- **Rents:** Steady rental growth continues in 4Q17 with a year-on-year growth averaging at 4.9% for all precincts.
- **Vacancy:** Vacancy across the market is recorded at its lowest level.



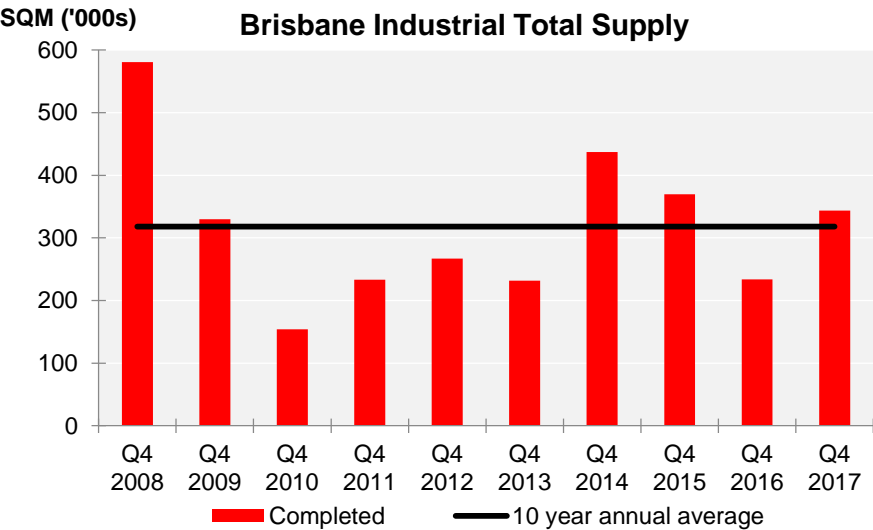
Annualised As at Q4 2017



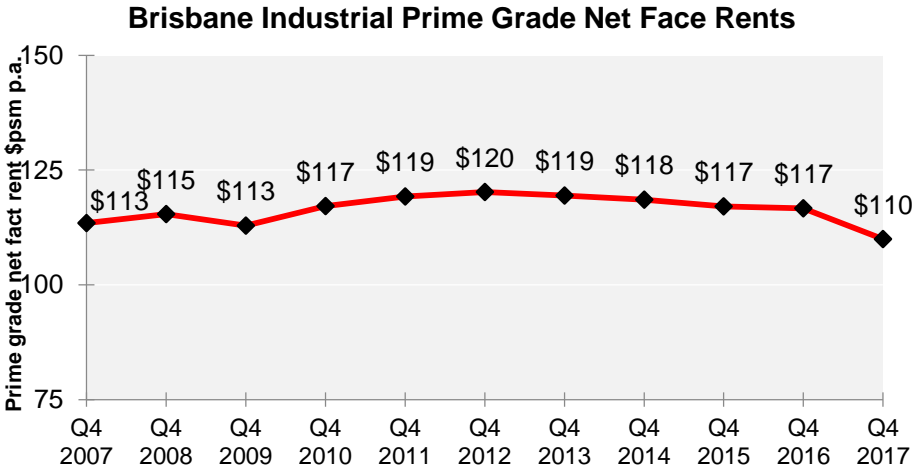


# Brisbane Industrial Market

- **Supply:** Total supply remains around the 10 year average.
- **Demand:** Third party logistics players are driving the occupier market with majority of space leased in the Southern precinct. Tenants have continued to take advantage of competitive effective rents offered by landlords which allows for facility upgrades and expansion.
- **Rents:** Prime face rents have dropped by 5.7% compared to 4Q16 but remain stable on a quarterly change; secondary rents continue to track sideways, particularly within the Northern precinct.
- **Vacancy:** There has exhibited a sustained improvement in vacancy levels for new stock whilst secondary grade older facilities remain challenging.



Annualised As at Q4 2017



Sources: Jones Lang LaSalle Real Estate Intelligence Service – Brisbane Industrial Final Data 4Q17; Jones Lang LaSalle Real Estate Intelligence Service – Brisbane Industrial Snapshot 4Q17; Jones Lang LaSalle Real Estate Data Solution – Brisbane Construction Projects from 4Q07 to 4Q17



# THANK YOU



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