



YOUR INDUSTRIAL
PROPERTY EXPERTS

WELCOME

TO THE **2016** ANNUAL RESULTS BRIEFING





AGENDA

01. HIGHLIGHTS

02. PORTFOLIO

03. MARKET & STRATEGY

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01.
HIGHLIGHTS

HIGHLIGHTS



- Record profit after tax for the year of \$123.4 million or 27.42 cents per share
- Distributable profit for the year of 7.58 cents per share
- Fourth quarter cash dividend of 2.05 cents per share, total cash dividends for the year of 7.35 cents per share, an increase of 0.05 cents per share over the prior year
- 2017 distributable profit guidance of between 7.50 and 7.70 cents per share, dividend guidance of at least 7.35 cents per share
- Strong balance sheet maintained, committed gearing of 31.0%
- \$88.2 million or 8.9% portfolio revaluation uplift, 14.4% increase in net tangible assets per share to 160.7 cents
- 74% of contract rent varied, leased or reviewed during the year
- Portfolio occupancy at 99.6%, 2017 expiries of 11.2%
- \$14.2 million acquisition and \$8.3 million divestment settled after year-end



02. PORTFOLIO

PORTFOLIO SNAPSHOT



- PFI's portfolio is diversified across 83 properties and 143 tenants, with 99.6% occupancy and a weighted average lease term of 4.79 years, weighted towards Auckland industrial property

	31 December 2016	31 December 2015
Valuation	\$1,083.3m	\$986.6m
Number of properties	83	84
Number of tenants	143	141
Contract rent	\$72.5m	\$72.3m
Occupancy	99.6%	99.6%
Weighted average lease term	4.79 years	5.18 years
Auckland property	85.3%	85.8%
Industrial property	85.5%	84.7%

PORTFOLIO PERFORMANCE



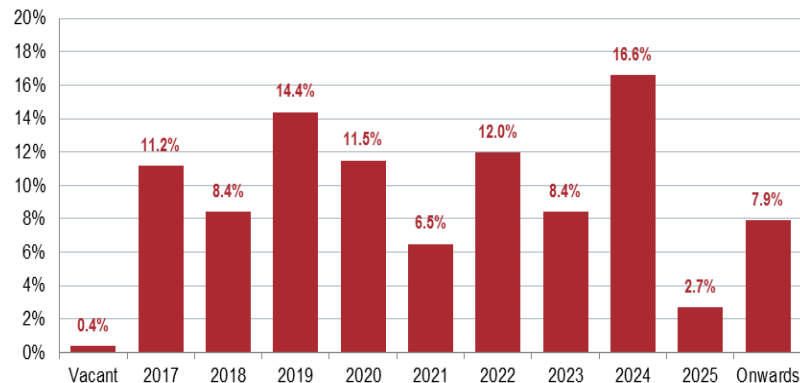
- Valuations:
 - \$88.2 million of 8.9% portfolio revaluation uplift to \$1,083.3 million
 - Passing yield firmed from 7.33% to 6.69%
- Leasing:
 - 32 leases agreed over ~123,000 sqm of space for an average term of 4.9 years
 - Lease renewals accounted for more than 82% of the contract rent secured
 - 84 rent reviews conducted resulting in an average annual uplift of ~1.5% on ~\$41.6 million of contract rent

Tenant	Address	Term	Area	% Rent Roll
Ebos Group	58 Richard Pearse Drive, Mangere	6.0 years	10,549 sqm	1.8%
Mainfreight	36 Neales Road, East Tamaki	3.0 years	12,546 sqm	1.6%
Ebos Group	54 Carbine Road & 6a Donnor Place, Mt Wellington	6.0 years	6,461 sqm	1.0%
Astron Plastics	43 Cryers Road, East Tamaki	5.0 years	6,068 sqm	0.9%
Fletcher Building Products	304 Neilson Street, Penrose	6.0 years	13,438 sqm	0.9%
27 other transactions, all for leases with contract rent of <\$0.55m		4.9 years	73,936 sqm	9.4%
32 leasing transactions	Various	4.9 years	122,998 sqm	15.6%

LEASE EVENTS



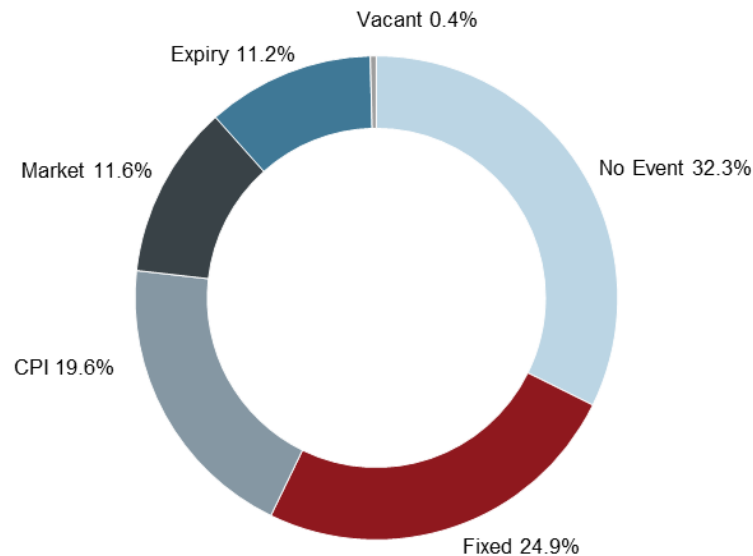
2017 Lease Expiry Profile:



2017 Expiries:

	Tenant	% Rent Roll
Penrose Portfolio (4 Properties)	Sistema Plastics	2.5%
124a Hewletts Road	Fonterra	1.3%
2 Pacific Rise	Hewlett-Packard	1.3%
Carlaw Park Office Complex	Argosy	0.9%
686 Rosebank Road	Sony	0.7%
Other	Various	4.5%
Total		11.2%

- Balance spread of 2017 lease events, ~23% of events market related, provides opportunity to access projected market rental growth:



- Health & Safety (H&S):
 - H&S a key area of focus for PFI
 - H&S also high on tenant's agenda
 - Following initial reviews, all properties now reviewed for H&S on a triennial basis
 - Contractor management processes in place for works on site
- Earthquake (EQ):
 - 4.4% of PFI's portfolio in Wellington, 2.9% in Christchurch
 - Portfolio performed well in November 2016 quakes
 - ~\$0.1 million of damage, to be borne by PFI due to EQ insurance excesses
 - PFI's predominantly Auckland industrial portfolio currently an attractive insurance risk

The background of the slide features several large, overlapping rolls of grey tape. Each roll has an orange inner core with a white label that includes the word "DANGER" in black capital letters. The rolls are stacked in a way that creates a sense of depth and texture. A solid red horizontal bar is positioned on the left side of the slide, partially overlapping the text.

03. MARKET & STRATEGY

- Strong economic growth in 2016, expected to continue in 2017, industrial property market highly correlated with overall GDP trends, strong demand for industrial space expected in 2017
- Colliers International: Commercial Property Investor Confidence Survey
 - Industrial property scored the highest level of investor confidence in each of the three main centres of Auckland, Wellington and Christchurch
 - Tauranga / Mount Maunganui and Auckland (92% of PFI's properties) recorded the second and third highest levels of investor confidence nationally
- CBRE:
 - Prime industrial indicative yields below premium grade office for the first time in CBRE's recorded history
 - Auckland industrial vacancy just 1.7%
- PFI's quality portfolio weighted towards Auckland industrial property is in excellent shape to capitalise on continuation of favourable market conditions

- PFI's strategy is to invest in quality industrial property in New Zealand's main urban centres
- The company aims to drive shareholder returns by:
 - Managing the vacancy and upcoming lease expiries
 - Opportunistically pursuing both core and value-add industrial acquisitions
 - Maximising utilisation of the portfolio
 - Divesting of non-core assets when value has been maximised and an opportunity to recycle capital into industrial property arises

DIVESTMENTS



	Year Ended December 2016	Year Ended December 2015
Address	27 Zelanian Drive, East Tamaki	85 Cavendish Drive, Manukau
Net sales proceeds	\$8.3m	\$9.5m
Carrying value	\$7.8m	\$9.0m
Gain on sale	\$0.5m	\$0.5m

- ~\$45 million of property divested over the last three years
- \$8.3 million sale of 27 Zelanian Drive, East Tamaki contracted prior to year-end, settled subsequent to year-end (February 2017)
- Approximately 5% of the portfolio still considered non-core, PFI may look to divest over the medium term as and when value has been maximised
- **2017 strategy:** divest of non-core assets when value has been maximised and an opportunity to recycle capital into industrial property arises

ACQUISITIONS



	11 Turin Place, East Tamaki	
Purchase price	\$14.2m	
Tenant	Thermakraft	
Property description	Generic industrial	
Purchase yield	6.5%	
Lease term on settlement	15 years	
Rent reviews	Fixed rent reviews, 4.55% every two years	

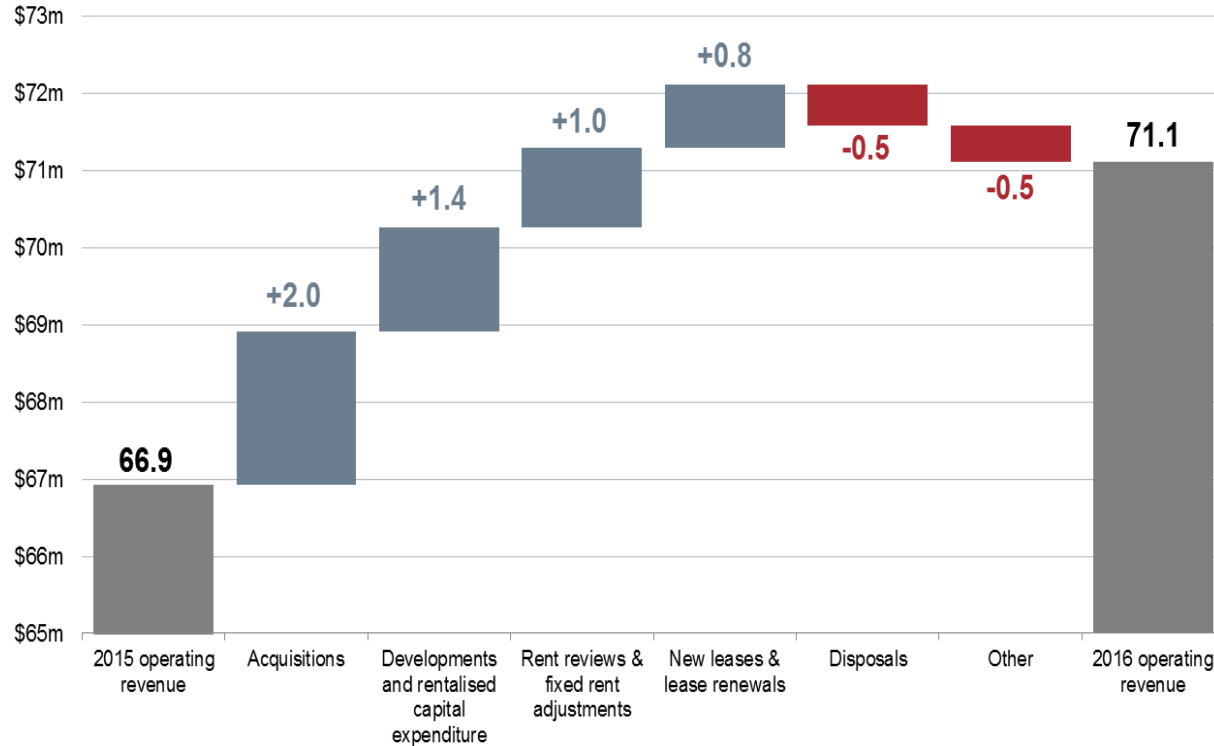
- ~\$65 million of acquisitions over the last three years
- No acquisitions during 2016
- Purchase of 11 Turin Place, East Tamaki subsequent to year-end (February 2017)
- **2017 strategy:** opportunistically pursue both core and value-add industrial acquisitions

- ~\$30 million of developments over the last three years:
 - \$1.9 million on generic industrial at 54 Carbine Road & 6a Donnor Place, Mount Wellington in 2015;
 - \$25.9 million on bulk store facilities at 124 Hewletts Road, Mount Maunganui during 2015 – 2016;
 - \$3.6 million on bio-fuel facility at 9 Narek Place, Manukau during 2014 – 2015, remaining land at 9 Narek Place, Manukau leased during 2016 to Fletchers for 10 years
- **2017 strategy:** maximise utilisation of the portfolio by development of surplus land over the medium term



04.
2016 ANNUAL
RESULTS

OPERATING REVENUE



- Operating revenues of \$71.1 million up \$4.2 million or 6.2%
- Around half of the increase due to FY 2015 acquisitions (\$2.0 million)
- Remainder of the increase from positive leasing activity that was broad based in nature, offset by loss of income from disposals

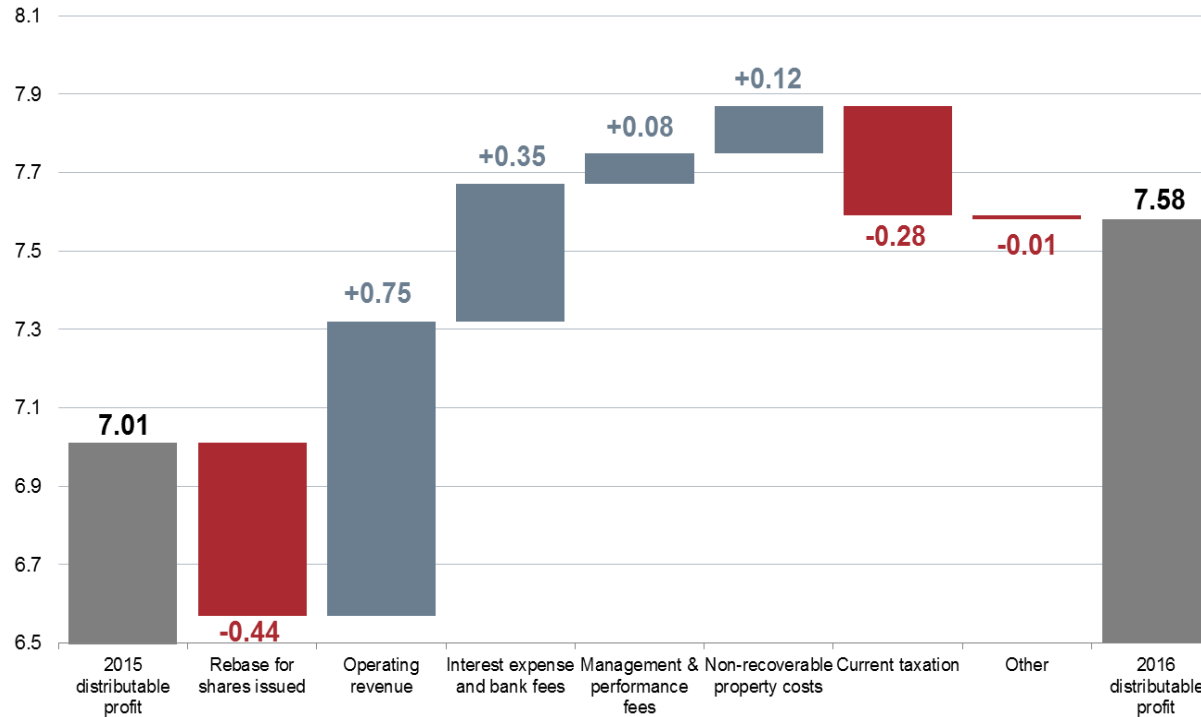
COMPREHENSIVE INCOME



For the year ended (audited, \$000)	Dec 16	Dec 15	Change
Total operating revenue	71,108	66,927	4,181
Non-recoverable property costs	(1,646)	(2,183)	537
Interest expense and bank fees	(17,839)	(19,398)	1,559
Management fees	(7,259)	(7,608)	349
Other expenses	(1,230)	(1,177)	(53)
Total operating expenses	(27,974)	(30,366)	2,392
Total operating earnings	43,134	36,561	6,573
Fair value gain on investment properties	88,214	46,471	41,743
Gain on disposal of investment properties	302	479	(177)
Material damage insurance income	-	17	(17)
Fair value gain / (loss) on derivative financial instruments	433	(3,952)	(3,519)
Total non-operating income and expenses	88,949	43,015	45,934
Profit before taxation	132,083	79,576	52,507
Current taxation	(8,535)	(7,151)	(1,384)
Deferred taxation	(136)	400	(536)
Total income tax expense	(8,671)	(6,751)	(1,920)
Profit after income tax	123,412	72,825	50,587

- Operating revenues up \$4.2 million or 6.2%, refer slide 17: operating revenue
- Operating expenses down 7.9%, due to lower interest and bank fees (\$1.6 million), non-recoverable property costs (\$0.5 million)
- Effective current tax rate static at 19.8% (2015: 19.6%)
- Record profit after tax of \$123.4m or 27.42 cents per share

DISTRIBUTABLE PROFIT (CENTS PER SHARE, CPS)



- Distributable profit per share up 0.57 cps or 8.1%
- 2016 dividends of 7.35 cps, 0.05 cps ahead of 2015 dividend and guidance
- FY17 earnings guidance of between 7.50 and 7.70 cents per share, dividend guidance of at least 7.35cps

1. Distributable profit is non-GAAP financial information used by the PFI Board to assist in determining dividends to shareholders. Refer: Appendix 1: Distributable Profit for further detail.
 2. Earnings guidance is based on distributable profit before management performance fees, if any.

FUNDS / ADJUSTED FUNDS FROM OPERATIONS

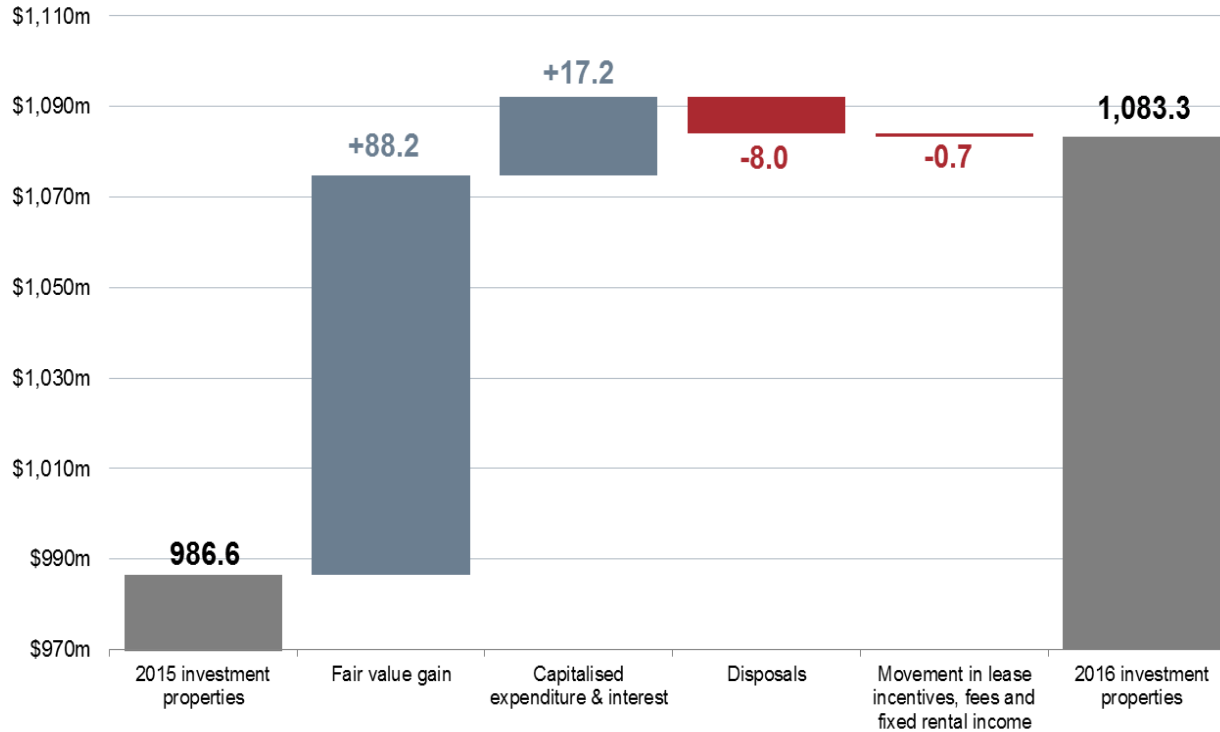


For year ended (unaudited, \$000, unless noted)	Dec 2016
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	123,412
<i>Adjusted for:</i>	
Fair value gain on investment properties	(88,214)
Gain on disposals of investment properties	(302)
Fair value gain on derivative financial instruments	(433)
Amortisation of tenant incentives	1,973
Straight lining of fixed rental increases	(607)
Deferred taxation	136
Funds from operations (FFO)	35,965
FFO per share (cents)	7.99
FFO dividend pay-out ratio	92%
Maintenance capex	(2,962)
Incentives and leasing fees given for the year	(1,729)
Other	(12)
Adjusted funds from operations (AFFO)	31,262
AFFO per share (cents)	6.95
AFFO dividend pay-out ratio	106%

- Funds From Operations (FFO) earnings of 7.99 cps and Adjusted Funds From Operations (AFFO), earnings of 6.95 cps
- FFO dividend pay-out ratio of 92%, AFFO dividend pay-out ratio of 106%

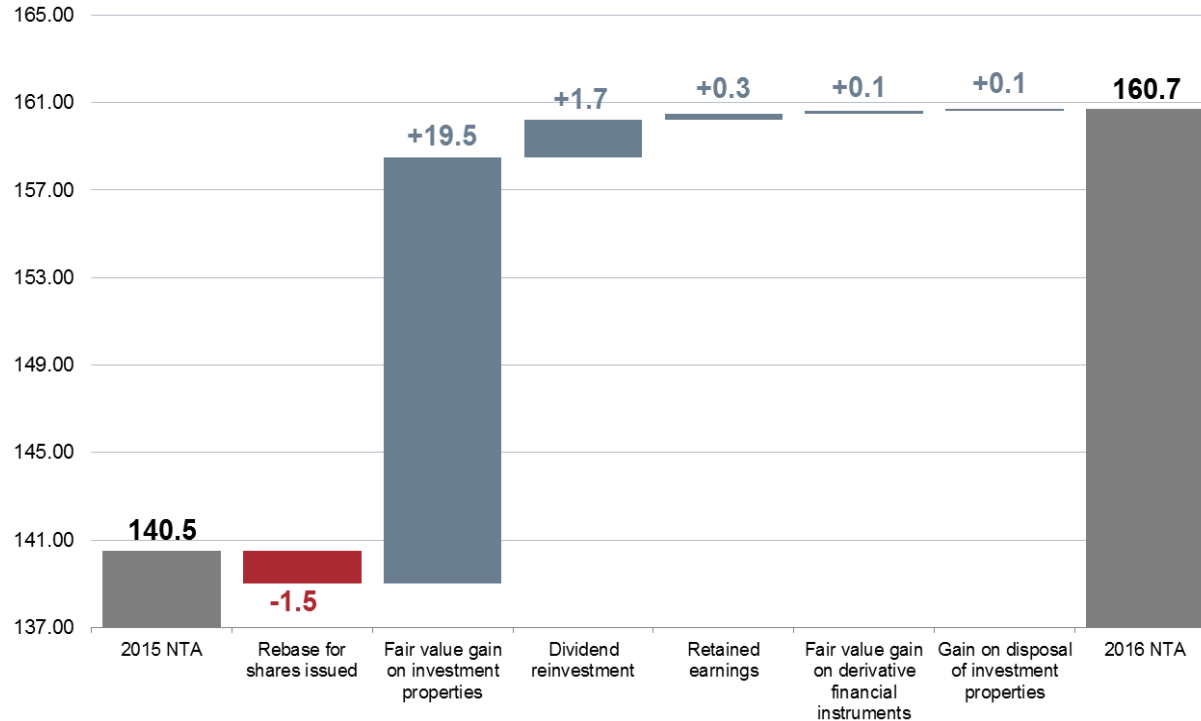
1. FFO and AFFO are non-GAAP financial information and are common investor metrics, which have been calculated in accordance with the guidelines issued by the Property Council of Australia.

INVESTMENT PROPERTIES



- Portfolio value now in excess of \$1 billion
- \$17.2 million of capital spent on portfolio, including \$15.8 million on the finalisation of the development at 124 Hewletts Road
- Fair value gain of \$88.2 million or 8.9% refer slide 7: portfolio performance

NET TANGIBLE ASSETS (CENTS PER SHARE, CPS)



- Net tangible assets (NTA) per share up 20.2 cps or 14.4% to 160.7 cps
- Fair value gain of \$88.2 million or 19.5 cps key driver of the increase
- Other minor items accounted for the remaining increase of 0.7 cps

1. Refer: Appendix 2: Financial Position for further detail.

The background of the slide is a close-up photograph of a large pile of lentils. The lentils are primarily grey, with a significant portion being red. The lighting is soft, creating a textured, granular appearance. The text is overlaid on the left side of the image, partially overlapping the red lentils.

05.
CAPITAL
MANAGEMENT

- Capital management initiatives helped to ensure a strong balance sheet:
 - Equity: \$7.5 million raised from dividend reinvestment
 - Loan facilities: refinance of facilities in February 2016 and active management of hedging
 - Disposal of non-core property: \$9.5 million sale settled February 2016, \$8.3m sale settled February 2017
- Committed gearing of 31.0% and interest cover of 3.4 times provides ability to withstand shocks and capacity for opportunities
- Historic weighted averaged cost of debt (WACOD) continued to trend down as expensive hedging rolled off, coupled with historic low BKBM rates:
 - WACOD December 2015: 5.71%, June 2016: 5.36%, December 2016: 5.24%

LOAN FACILITIES



- Facilities refinanced February 2016, average term extended, cost reduced
- Hedging rate for 2017 will reduce to ~4.46%

	Dec 2016	Dec 2015
Facilities		
Drawn (excluding overdraft)	\$333.7m	\$331.7m
Facilities limit	\$375.0m	\$375.0m
Facilities headroom	\$41.3m	\$43.3m
Facilities term (average)	3.8 years	3.8 years
Facilities banks	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
Covenants		
Gearing (adjusted)	30.1% (31.0% committed)	33.3%
Interest cover ratio	3.4 times	2.9 times
Interest rates		
Weighted average cost of debt (including margin and fees)	5.24%	5.71%
Interest rate hedging (excluding forward starting hedging, \$m / rate / duration)	\$243m / 4.53% / 3.0 years	\$253m / 4.66% / 3.6 years
Interest rate hedging (forward starting hedging, \$m / rate / duration)	\$70m / 3.54% / 2.9 years	\$55m / 3.92% / 2.9 years

1. Refer: Appendix 3: Hedging for further detail.

2. Adjusted gearing is defined as total borrowings as a percentage of the most recent independent valuation of the property portfolio, adjusted for divestments which had been unconditionally sold as at year-end and settled subsequent to year-end.

A photograph of a warehouse interior. In the foreground, two men wearing bright yellow-green high-visibility safety vests are walking. The man on the left has a 'GO' logo on his vest. In the background, a woman is operating an orange forklift. The warehouse is filled with tall metal shelving units and stacks of goods.

06. REVIEW & QUESTIONS

REVIEW & QUESTIONS



- PFI's strategy is to invest in quality industrial property in New Zealand's main urban centres and the company aims to deliver strong, stable shareholder returns
- 2016: record financial result, quality industrial portfolio continuing to perform
- 2014 - 2016: growth in values, consistently high occupancy, reduced leverage, earnings growth

VALUATION GROWTH	OCCUPANCY	LOAN-TO-VALUE	DISTRIBUTABLE PROFIT
\$88.2M 2016	99.6% 2016	30.1% 2016	7.58CPS 2016
\$46.5M 2015	99.6% 2015	33.3% 2015	7.01CPS 2015
\$36.3M 2014	98.5% 2014	35.8% 2014	7.41CPS 2014

- Company well positioned to capture growth or withstand shocks
- Questions?



07. APPENDICES

APPENDIX 1: DISTRIBUTABLE PROFIT



For year ended (audited, \$000, unless noted)	Dec 2016	Dec 2015
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	123,412	72,825
<i>Adjusted for:</i>		
Fair value gain on investment properties	(88,214)	(46,471)
Material damage insurance income	-	(17)
Gain on disposals of investment properties	(302)	(479)
Tax on depreciation claw-back on disposals of investment properties	132	-
Fair value (gain) / loss on derivative financial instruments	(433)	3,952
Deferred taxation	136	(400)
Movement in fixed rent reviews	(607)	200
Other	(12)	(12)
Distributable profit	34,112	29,598
Distributable profit per share (cents)	7.58	7.01
Dividends paid relating to period reported	33,141	31,412
Pay-out ratio (%)	97%	106%

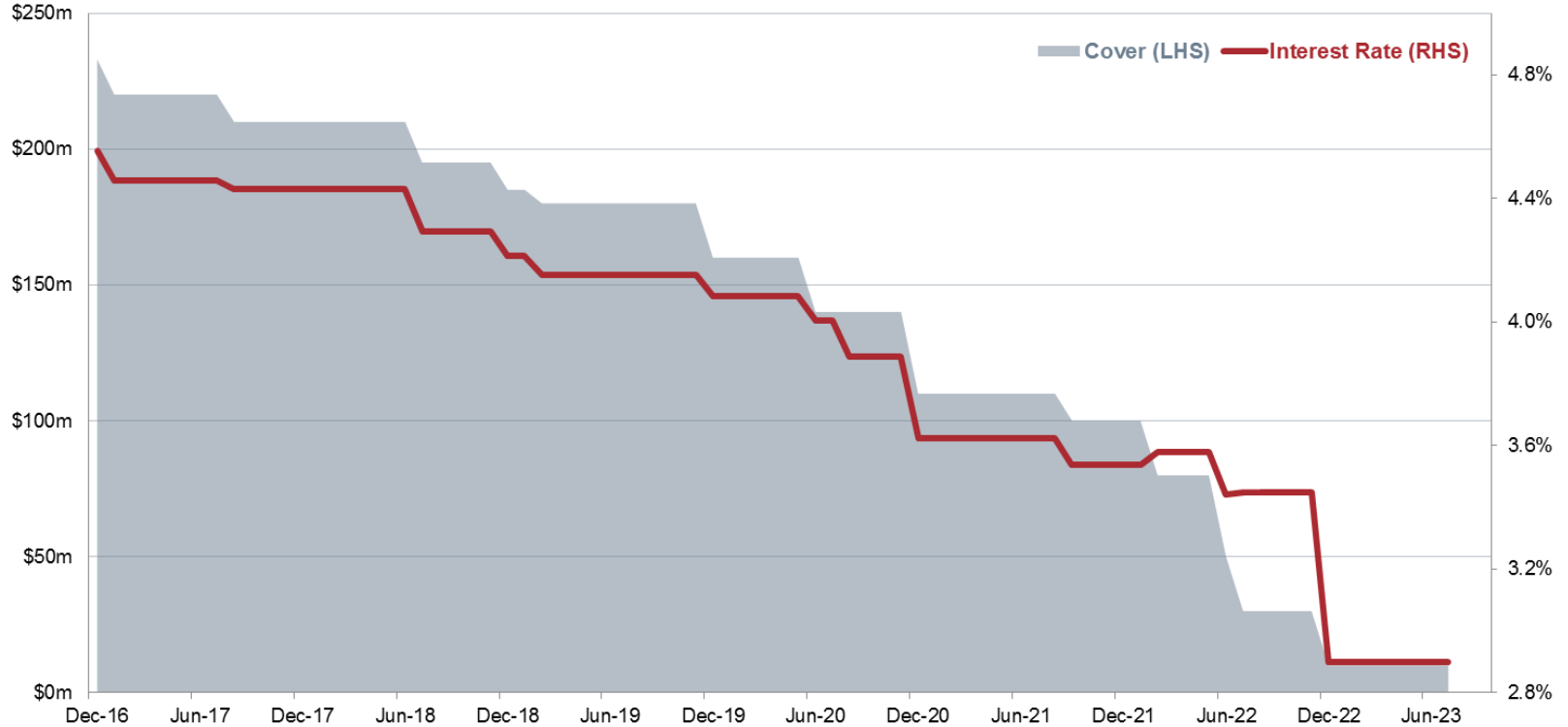
1. Distributable profit is non-GAAP financial information and is calculated in accordance with the methodology shown above. Distributable profit is used by the PFI Board to assist in determining dividends to shareholders.

APPENDIX 2: FINANCIAL POSITION



As at (audited, \$000, unless noted)	Dec 2016	Dec 2015	Change
Investment properties	1,083,300	986,565	96,735
Goodwill	29,086	29,086	-
Other assets	9,413	11,593	(2,180)
Total assets	1,121,799	1,027,244	94,555
Borrowings	332,924	330,920	2,004
Deferred tax liabilities	11,026	10,890	136
Other liabilities	21,711	27,420	(5,709)
Total liabilities	365,661	369,230	3,569
Total equity	756,138	658,014	98,124
Shares on issue	452,458,592	447,692,460	4,766,132
Net tangible (excluding goodwill) assets (cents per share)	161	140	21

APPENDIX 3: HEDGING



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