Nexus Industrial REIT Announces Fourth Quarter and Full Year 2023 Financial Results

Furthering its transition to a pure-play Canadian industrial REIT through strategic acquisitions

Industrial Net Operating Income weighting grows to 93%

Toronto, Ontario, March 13, 2024 – Nexus Industrial REIT (the "REIT") (TSX: NXR.UN) announced today its results for the fourth quarter and year ended December 31, 2023.

"In our fourth quarter, we continued to benefit from our strategy as a Canada-focused pure-play industrial REIT, delivering another quarter of solid results" said Kelly Hanczyk, CEO of Nexus Industrial REIT.

"We acquired a 336,000 sq. ft. industrial property in London, Ontario, and entered into a purchase agreement for another 82,500 sq. ft. property in Rocky View, Alberta. In total, we acquired $378 million of high-quality income producing industrial assets in the year.

"Looking forward to 2024, we can't help but be excited," continued Mr. Hanczyk. "We are nearing an inflection point as we benefit from contractual rent lift and renewals, cash flowing development projects, and further optimization of our portfolio of quality industrial assets. I am confident these factors will drive meaningful growth in our financial performance."

Fourth Quarter 2023 Highlights:

- Acquired a 336,448 sq. ft. industrial property in London, ON, for $55.8 million; entered into a purchase agreement for an 82,500 sq. ft. industrial property in Rocky View, AB, for $35.1 million.
- Net operating income ("NOI")(1) increased 17.1% year over year to $29.2 million, driven by the acquisition of income-producing industrial property and growth in same property NOI.
- Same property NOI(1) increased 1.3% year over year to $23.5 million driven by rental steps and renewal lease lift at industrial properties. Industrial same property NOI increased by 2.9% to $21.1 million.
- Normalized FFO(1) per unit was $0.180 and Normalized AFFO(1) per unit was $0.151.
- Industrial occupancy improved to 99%, a 1% increase from prior quarter.
- NAV(1) per unit of $12.87 grew $0.68 or 5.6% versus a year ago.

2023 Highlights:

- Completed six strategic acquisitions of industrial income producing properties with total gross leasable area ("GLA") in excess of 1,750,000 sq. ft. for a total purchase price of $377.7 million.
- Invested $53.5 million in industrial development projects; total GLA of projects underway of over 760,000 sq. ft.
- NOI(1) increased 16.9% to $112.0 million, supported by same property NOI(1) which increased 3.5% to $79.5 million. Industrial same property NOI(1) increased by 4.3% to $68.7 million
- Normalized FFO(1) per unit was $0.761 and normalized AFFO(1) per unit was $0.640.
- Normalized AFFO payout ratio(1) was 100.1%. The REIT expects its normalized AFFO payout ratio to average in the low to mid 90% range for 2024.
- Unencumbered asset pool grew to $842.4 million at year end, an increase of $83.6 million quarter over quarter.

(1) Non-IFRS Financial Measure

Summary of Results

(In thousands of Canadian dollars, except per unit amounts)	Three months ended December 31,		Year ended December 31,	
Financial Results	**2023 $**	**2022 $**	**2023 $**	**2022 $**
Property revenues	42,005	36,856	157,652	137,121
Net operating income (NOI)	29,225	24,949	111,973	95,808
Net income	2,137	(16,891)	160,030	120,868
Financial Highlights				
Funds from operations (FFO) (1)	15,404	16,753	66,687	63,837
Normalized FFO (1) (2)	16,651	16,516	68,255	63,969
Adjusted funds from operations (AFFO) (1)	12,721	14,632	55,841	55,232
Normalized AFFO (1) (2)	13,968	14,395	57,409	55,364
Same Property NOI (1)	23,511	23,217	79,517	76,791
Distributions declared (3)	14,771	13,137	57,482	50,756
Weighted average units outstanding (000s) - basic (4)	92,275	81,494	89,709	79,287
Weighted average units outstanding (000s) - diluted (4)	92,377	81,596	89,811	79,389
Per unit amounts:				
Distributions per unit - basic (3) (4)	0.161	0.161	0.640	0.640
FFO per unit - basic (1) (4)	0.167	0.206	0.743	0.805
Normalized FFO per unit - basic (1) (2) (4)	0.180	0.203	0.761	0.807
AFFO per unit - basic (1) (4)	0.138	0.180	0.622	0.697
Normalized AFFO per unit - basic (1) (2) (4)	0.151	0.177	0.640	0.698
NAV per unit (1)	12.87	12.19	12.87	12.19
Normalized AFFO payout ratio - basic (1) (2) (3)	105.7%	91.3%	100.1%	91.7%
Debt to total assets ratio	48.9%	43.7%	48.9%	43.7%
Estimated spread between industrial portfolio market and in-place rents	29.0%	N/A	29.0%	N/A

(1) Non-IFRS Financial Measure

(2) See Appendix A – Non-IFRS Financial Measures

(3) Includes distributions payable to holders of Class B LP Units which are accounted for as interest expense in the consolidated financial statements.

(4) Weighted average number of units includes the Class B LP Units.

Non-IFRS Measures

Included in the tables above and elsewhere in this news release are non-IFRS financial measures that should not be construed as an alternative to net income / loss, cash from operating activities or other measures of financial performance calculated in accordance with IFRS and may not be comparable to similar measures as reported by other issuers. Certain additional disclosures for these non-IFRS financial measures have been incorporated by reference and can be found on page 3 in the REIT's Management's Discussion and Analysis for the three-month and year ended December 31, 2023, available on SEDAR at www.sedarplus.ca and on the REIT's website under Investor Relations. See Appendix A of this earnings release for a reconciliation of the non-IFRS financial measures to the primary financial statement measures.

NOI

For the three months ended December 31, 2023, NOI of $29.2 million was $4.3 million higher than Q4 2022 NOI of $24.9 million. Acquisitions completed subsequent to October 1, 2022, generated $4.5 million of incremental NOI in Q4 2023 as compared to Q4 2022. Same Property NOI for the three months ended December 31, 2023 increased $0.3 million as compared to Q4 2022, primarily driven by rental steps and CPI increases at certain of the REIT's industrial properties as well as new and renewal lease lift. Higher straight-line rents contributed $0.3 million to the increase over Q4 2022, driven primarily by newly acquired properties with steps in rent. Disposals of investment properties since Q4 2022 reduced NOI by $0.8 million.

Fair value adjustment of investment properties

The fair value adjustment of investment properties for the three months ended December 31, 2023 totalled $35.5 million. The REIT engaged external appraisers to value properties totalling $198.9 million in the quarter, resulting in a net write up of income-producing properties of $13.5 million. In addition, fair value gains were recorded for the remainder of the REIT's portfolio totalling $15.9 million relating primarily in respect of changes related to stabilized NOI and capitalization rates, and $11.1 million of fair value gains were recorded relating to the remeasurement of Class B LP Units issued as part of an acquisition in the quarter. Partially offsetting this is $2.2 million of capital expenditures fair valued to zero, $1.2 million of fair value losses related to transaction costs in connection with an acquisition completed during the quarter and $1.4 million of fair value loss in respect of properties held for development due to adjustments in total expected costs.

Outlook

The REIT is focused on delivering total unitholder return through profitable long-term growth, and by pursing its strategy as a Canada-focused pure-play industrial REIT.

The REIT anticipates slightly softer same-property NOI in the first quarter resulting from a key vacancy. Through the remainder of 2024, the REIT expects to benefit from positive rental fundamentals in the markets in which it has leases expiring. Overall, the REIT anticipates mid-to-high single digit same-property NOI growth for the full year.

In the first quarter of 2024, the REIT finalized construction at its Savage Rd. sports complex in Richmond, BC. Occupancy from the primary tenant is anticipated to occur in the second quarter of the year.

In 2024, the REIT expects to benefit from the completion of four significant development projects. Combined, these properties will add annual stabilized NOI of approximately $11 million when complete:

- In the second quarter of 2024, the REIT expects to complete the Park Street intensification project in Regina, SK. This project will contribute an estimated yield of 7.5% on total development costs of $48 million.

- In the third quarter of 2024, the REIT expects to complete the Hubrey Rd. expansion project in London, ON, and the Glover Rd. new development in Hamilton, ON. These projects will contribute estimated going-in yields of 9% and 5.6% on total development costs of $15 million and $33 million, respectfully.

- In the fourth quarter of 2024, the REIT expects to complete the 240,000 sq ft Dennis Rd expansion project in St Thomas, ON. This project will contribute a contractual going-in yield of 9.0% on total development costs of approximately $50 million.

The REIT will continue to prioritize unitholder distributions. The REIT expects its normalized AFFO payout ratio percentage to average in the low to mid 90% range for the year.

The REIT is focused on building its industrial portfolio. As a result, the REIT is well underway in the process of disposing of its retail and office properties. In addition, the REIT is examining the potential sale of a group of non-core industrial buildings. In total, this equates to an approximate target of $200 million. The REIT expects the property sales to close in the second half of the year, and the proceeds to be used to reduce the REIT's debt balance.

Earnings Call

Management of the REIT will host a conference call at 10:00 AM Eastern Standard Time on Thursday, March 14, 2024 to review the financial results and operations. To participate in the conference call, please dial 416-915-3239 or 1-800-319-4610 (toll free in Canada and the US) at least five minutes prior to the start time and ask to join the Nexus Industrial REIT conference call.

A recording of the conference call will be available until April 14, 2024. To access the recording, please dial 604-674-8052 or 1-855-669-9658 (toll free in Canada and the US) and enter access code 0703.

March and April 2024 Distribution

The REIT will make a cash distribution in the amount of $0.05333 per unit, representing $0.64 per unit on an annualized basis, payable April 15, 2024, to unitholders of record as of March 29, 2024.

The REIT will also make a cash distribution in the amount of $0.05333 per unit, representing $0.64 per unit on an annualized basis, payable May 15, 2024, to unitholders of record as of April 30, 2024

The REIT's distribution reinvestment plan ("DRIP") entitles eligible unitholders to elect to receive all, or a portion of the cash distributions of the REIT reinvested in units of the REIT. Eligible unitholders who so elect will receive a bonus distribution of units equal to 4% of each distribution that was reinvested by them under the DRIP.

About Nexus Industrial REIT

Nexus is a growth-oriented real estate investment trust focused on increasing unitholder value through the acquisition of industrial properties located in primary and secondary markets in Canada, and the ownership and management of its portfolio of properties. The REIT currently owns a portfolio of 117 properties (including two properties held for development in which the REIT has an 80% interest) comprising approximately 12.5 million square feet of gross leasable area. The REIT has approximately 93,379,000 voting units issued and outstanding, including approximately 68,768,000 REIT Units and approximately 24,611,000 Class B LP Units of subsidiary limited partnerships of Nexus, which are convertible to REIT Units on a one-to-one basis.

Forward Looking Statements

Certain statements contained in this news release constitute forward-looking statements which reflect the REIT's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this news release. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect.

While the REIT anticipates that subsequent events and developments may cause its views to change, the REIT specifically disclaims any obligation to update these forward-looking statements except as required by applicable law. These forward-looking statements should not be relied upon as representing the REIT's views as of any date subsequent to the date of this news release. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the REIT.

For further information please contact:
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Mike Rawle, CFO at (289) 837-2650.

APPENDIX A – NON-IFRS FINANCIAL MEASURES

(In thousands of Canadian dollars, except per unit amounts)	Three months ended December 31,			Year ended December 31,		
	2023	2022	Change	2023	2022	Change
FFO	$	$	$	$	$	$
Net income	**2,137**	**(16,891)**	**19,028**	**160,030**	**120,868**	**39,162**
Adjustments:						
Loss on disposal of investment properties	-	455	(455)	807	710	97
Fair value adjustment	8,387	31,332	(22,945)	(109,814)	(70,709)	(39,105)
Adjustments for equity accounted joint venture (1)	740	(1,735)	2,475	615	(1,118)	1,733
Distributions on Class B LP Units expensed	3,810	3,272	538	13,846	13,051	795
Amortization of tenant incentives and leasing costs	318	308	10	1,171	988	183
Lease principal payments	(10)	(12)	2	(59)	(46)	(13)
Amortization of right-of-use assets	22	24	(2)	91	93	(2)
Funds from operations (FFO)	**15,404**	**16,753**	**(1,349)**	**66,687**	**63,837**	**2,850**
Weighted average units outstanding (000s) - basic (4)	92,275	81,494	10,781	89,709	79,287	10,422
FFO per unit – basic	**0.167**	**0.206**	**(0.039)**	**0.743**	**0.805**	**(0.062)**
FFO	**15,404**	**16,753**	**(1,349)**	**66,687**	**63,837**	**2,850**
Add: Vendor rent obligation (2)	629	564	65	2,552	2,535	17
Less: Other income (2)	(1,001)	(801)	(200)	(2,603)	(2,403)	(200)
Add: Severance and one-time compensation expense	1,619	-	1,619	1,619	-	1,619
Normalized FFO	**16,651**	**16,516**	**135**	**68,255**	**63,969**	**4,286**
Weighted average units outstanding (000s) Basic (4)	92,275	81,494	10,781	89,709	79,287	10,422
Normalized FFO per unit - basic	**0.180**	**0.203**	**(0.023)**	**0.761**	**0.807**	**(0.046)**

(In thousands of Canadian dollars, except per unit amounts)	Three months ended December 31,			Year ended December 31,		
AFFO	**2023 $**	**2022 $**	**Change $**	**2023 $**	**2022 $**	**Change $**
FFO	**15,404**	**16,753**	**(1,349)**	**66,687**	**63,837**	**2,850**
Adjustments:						
Straight-line adjustments ground lease and rent	(1,083)	(821)	(262)	(4,746)	(3,505)	(1,241)
Capital reserve (3)	(1,600)	(1,300)	(300)	(6,100)	(5,100)	(1,000)
Adjusted funds from operations (AFFO)	**12,721**	**14,632**	**(1,911)**	**55,841**	**55,232**	**609**
Weighted average units outstanding (000s) - basic (4)	92,275	81,494	10,781	89,709	79,287	10,422
AFFO per unit - basic	**0.138**	**0.180**	**(0.042)**	**0.622**	**0.697**	**(0.075)**
AFFO	**12,721**	**14,632**	**(1,911)**	**55,841**	**55,232**	**609**
Add: Vendor rent obligation (2)	629	564	65	2,552	2,535	17
Less: Other income (2)	(1,001)	(801)	(200)	(2,603)	(2,403)	(200)
Add: Severance and one-time compensation expense	1,619	-	1,619	1,619	-	1,619
Normalized AFFO	**13,968**	**14,395**	**(427)**	**57,409**	**55,364**	**2,045**
Weighted average units outstanding (000s) - basic (4)	92,275	81,494	10,781	89,709	79,287	10,422
Normalized AFFO per unit - basic	**0.151**	**0.177**	**(0.026)**	**0.640**	**0.698**	**(0.058)**

(1) Adjustment for equity accounted joint venture relates to a fair value adjustment of swaps in place at the joint venture to swap floating rate bankers' acceptance rates to a fixed rate and fair value adjustment of the joint venture investment property.

(2) Normalized FFO and Normalized AFFO include adjustments for vendor rent obligation amount related to the REIT's Richmond, BC property, which are payable from the vendor of the property until the buildout of the property is complete and all tenants are occupying and paying rent. The vendor rent obligation amount is not included in NOI for accounting, but the estimated total amount of vendor rent obligation is recorded in other income. Normalized FFO and Normalized AFFO exclude estimated future vendor rent obligation amounts included in other income in the consolidated statements of income and comprehensive income and include the scheduled quarterly rents receivable in the form of vendor rent obligation.

(3) Capital reserve includes maintenance capital expenditures, tenant incentives and leasing costs. Reserve amounts are established with reference to building condition reports, appraisals, and internal estimates of tenant renewal, tenant incentives and leasing costs. The REIT believes that a reserve is more appropriate given the fluctuating nature of these expenditures.

(4) Weighted average number of units includes the Class B LP Units.

(In thousands of Canadian dollars)	Three Months ended December 31,			Year ended December 31,		
Same Property NOI	**2023 $**	**2022 $**	**Change $**	**2023 $**	**2022 $**	**Change $**
Property revenues	42,005	36,856	5,149	157,652	137,121	20,531
Property expenses	(12,780)	(11,907)	(873)	(45,679)	(41,313)	(4,366)
NOI	29,225	24,949	4,276	111,973	95,808	16,165
Add/(Deduct):						
Amortization of tenant incentives and leasing costs	318	307	11	1,171	989	182
Straight-line adjustments of rent	(1,079)	(799)	(280)	(4,728)	(3,418)	(1,310)
Acquisitions	(4,896)	(436)	(4,460)	(27,815)	(12,545)	(15,270)
Disposals	6	(763)	769	(870)	(3,943)	3,073
Termination fees and other non-recurring items	(63)	(41)	(22)	(214)	(100)	(114)
Same Property NOI	**23,511**	**23,217**	**294**	**79,517**	**76,791**	**2,726**