# ASX ANNOUNCEMENT
# GROWTHPOINT PROPERTIES AUSTRALIA (ASX Code: GOZ)

19 August 2013

**RESULTS FOR YEAR ENDED 30 JUNE 2013**

**High quality, diversified industrial and office property portfolio underpins an 8.6% increase in distributable income per security**

The Directors of Growthpoint Properties Australia Limited are pleased to announce the results for Growthpoint Properties Australia (**"Growthpoint or Group"**) for the year ended 30 June 2013 (**"FY 2013"**).

Managing Director, Timothy Collyer, said:

"FY 2013 has been a successful year for Growthpoint Properties Australia on a number of fronts. Most pleasing has been the growth in distributable income, up 8.6% on FY 2012. The distributable income enabled the payment to security holders of 18.3 cents per security in total distributions for FY 2013, a solid 4.0% rise from FY 2012. ASX performance has also been pleasing with total security holder return of 20.2% per annum over the last 3 years[1], significantly outperforming the A-REIT sector and wider share market.

Growthpoint continued the expansion and diversification of its property portfolio by acquiring $160.7 million of industrial and office assets during FY 2013 and agreeing to acquire $60.2 million after year end to now own interests in a diversified portfolio valued at $1.8 billion. During the year two new office buildings in Nundah, Queensland and Artarmon, New South Wales valued at $82.0 million and $87.0 million, respectively, were completed. Both buildings were substantially pre-committed, and are now leased, to quality tenants providing a long-term secure rental income to Growthpoint's security holders.

Occupancy of the property portfolio remains high at 98% and Growthpoint enjoyed considerable success with lease renewals and new lettings, in particular in Brisbane where Peabody Energy Australia have leased the Group's CB2 office building at SW1, South Brisbane for 10 years.

Growthpoint's syndicated debt facility was re-priced and extended in June 2013 and the average weighted maturity of debt now stands at 4.3 years. Over the year, the average cost of the Growthpoint's debt was reduced.

The Group's Distribution Reinvestment Plan had a high take-up rate over the year at 74.9%, raising approximately $52.0 million. Since June 2012 the DRP has raised $73.6 million, assisting the acquisition of quality investment properties."

**Highlights for FY 2013**

<u>Statutory profit</u>

Statutory profit of $94.0 million was up 90% on the prior period profit of $49.5 million. This equated to 23.7 cents per GOZ stapled security, up 56% on the 15.2 cents per security in FY 2012.

<u>Distributions</u>

Distributable profit of $76.4 million, or 19.3 cents per GOZ stapled security, up 8.6% from the previous corresponding period.

A distribution paid/payable of 18.3 cents per stapled security, consistent with market guidance and a 4% increase on FY 2012. This total distribution is to be 70% tax deferred and 7% tax free.

[1] Source: UBS Investment Research

Property acquisitions

During FY 2013, property assets increased to approximately $1.7 billion after the following property acquisitions:

- Two interconnected modern “A grade” eight storey office buildings in Canberra, ACT leased to the Commonwealth of Australia (Department of Education, Employment and Workplace Relations) on five year leases expiring 24 March 2017, with one five year option of renewal
- A prime industrial property portfolio comprising three adjoining properties in Erskine Park, New South Wales for a total cost of $104.7 million (before acquisition costs) comprising a 29,055 m² pharmaceutical warehouse to be constructed, an existing 24,881m² warehouse and an existing 3,720 m² truck facility. All three properties are leased to entities associated with the Linfox group of companies, one of Australia’s largest logistics providers, for a weighted average lease term of 10 years.
- Completion of the acquisition of a car park adjoining Growthpoint’s properties at 572-576 Swan Street, Richmond, Victoria for $1 million.

On 24 July 2013, Growthpoint announced that it had entered into contracts and other documents for the acquisition of a prime industrial property portfolio to be developed, comprising three properties for a total cost of $60.2 million (before acquisition costs). One of the properties is leased to Symbion Pty Ltd, with the other two properties under a five year rental guarantee from Australand Property Group, the vendor and developer. The acquisition of land and their development will be funded by a combination of the proceeds from the DRP relating to the 30 June 2013 distribution and an increase to the existing headroom in the syndicated debt facility by $30 million. This increase to the headroom matures on the earlier of 31 March 2014 or immediately after the Group raises equity to the value of $30 million or more (the DRP outlined above does not count towards this equity raising condition).

Growthpoint continues to seek merger and acquisition opportunities to grow and enhance the property portfolio as a means to growing and securing distributions to securityholders.

Completion of fund-through developments

Growthpoint’s new properties, acquired via “development fund-throughs”, at 1231-1241 Sandgate Road, Nundah, Queensland and 219-247 Pacific Highway, Artarmon, New South Wales reached practical completion in November 2012 and December 2012, respectively. Both buildings are 100% income producing[2]. The major tenants are at the Nundah property are two State Government of Queensland corporations, Energex and Powerlink (approximately 80% of net lettable area) while the major tenant of the Artarmon property is Fox Sports, a wholly-owned subsidiary of News Limited (approximately 56% of net lettable area). Growthpoint will continue to seek development fund-through opportunities to facilitate the acquisition of new buildings typically with long lease terms, high green credentials and lower acquisition costs.

Leasing, lease renewals and significant rent reviews

During FY 2013, Growthpoint leased up 62,182m² of space with the following key leasing deals:

- In what is the second largest leasing transaction in Brisbane for the calendar year to date, Peabody Energy Australia leased the entire CB2 Building, SW1, South Brisbane with a net lettable area of 5,762m² for ten years from 1 July 2014 with one option to renew of five years. The lease was at market rent and includes fixed annual increases of 3.75%.
- Westpac Banking Corporation exercised an option to renew its lease of the Group’s 6,639m² office building at 7 Laffer Drive, Bedford Park, South Australia for five years from 22 July 2013.
- Bridgestone Australia, 365 Fitzgerald Road, Derrimut, Victoria, exercised an option to expand the premises by 2,110m² at a cost of approximately $1.1 million and extend the term for seven years from the date of practical completion of the works which occurred on 6 March 2013. This property comprises a 16,114 m² warehouse, tyre service facility and the Victorian state office of Bridgestone Australia.
- Paper Australia, which leases 26,980m² at 44-54 Raglan Street, Preston, Victoria, exercised an option for a further lease term of six years to 31 August 2019.

[2] Includes rental guarantees from the developer of each building.

- Anne Street Partners leased Level 19, 333 Ann Street, Brisbane for seven years from 1 February 2014 with one option to renew of five years. The tenancy comprises a whole floor of 867m², was at market rent and includes fixed annual increases of 3.75%.
- The Group's sole industrial vacancy at 3 Viola Place, Brisbane Airport, Queensland was leased to Cargo Transport for ten years from 1 March 2013. The initial rent is $475,742 (plus GST and outgoings) and is subject to annual increases to the greater of 3.5% and CPI.
- Following a market review, the rent at 75 Annandale Road, Melbourne Airport, Victoria increased by 9% to $730,754 per annum from 16 April 2013. This property comprises a 10,280m² industrial warehouse on a 16,930m² site and is leased to Neovia Logistics until 5 November 2016.

Property disposals

On 31 January 2013, Growthpoint completed the sale of its property at 134 Lillkar Road, Goulburn, New South Wales for $72.25 million, above the 30 June 2012 book value of $71.0 million. Net proceeds were used to partially fund the acquisition of three industrial properties in Erskine Park, New South Wales as noted above. The property generated a 10.4% per annum total return during Growthpoint's ownership. Properties will be disposed of where they no longer meet Growthpoint's investment criteria.

Debt

- Growthpoint's syndicated debt facility with Westpac, NAB and ANZ ("SFA") was increased by $60 million to $825 million to fund the Canberra acquisition referred to above. Growthpoint also extended its debt in June 2013. The new SFA maturity dates are set out in the following table.

| **Prior maturity date** | **New maturity date** | **Debt Amount ($ million)** |
|---|---|---|
| 31 Dec 2016 | 31 Dec 2016 | 315 |
| 31 Dec 2014 | 31 Dec 2017 | 255 |
| 31 Dec 2015 | 31 Dec 2018 | 255 |
| *Total* | | *825* |

- Growthpoint also has a $70 million debt facility in place with National Australia Bank maturing on 30 April 2016 which was unchanged.
- The weighted average maturity profile of all debt was 4.3 years at 30 June 2013.
- At 30 June 2013, Growthpoint's weighted average cost of debt across all facilities (including margin) was approximately 6.71% per annum, down from 6.95% per annum at 31 December 2012.

Distribution reinvestment plan

- During FY 2013, Growthpoint's distribution reinvestment plan or "DRP" raised approximately $48.9 million with participating securityholders having reinvested their June 2012 and December 2012 half year distributions into GOZ stapled securities. In both cases, the funds from the DRP have been used to partially fund property acquisitions. The discount applied to then recent trading prices was 3%.
- On 16 July 2013, the Group announced that the DRP issue price for the distribution to be paid on or around 30 August 2013 will be $2.35 per stapled security (after the application of 2% discount to then recent trading prices). Approximately 74.7% of Growthpoint's distribution payable on or around 30 August 2013 will be issued in the form of new stapled securities under the DRP raising $26.8 million from the issue of 11.4 million new stapled securities. 414.2 million stapled securities will be on issue following the DRP.

Investor relations

Growthpoint continued to experience support from a growing number of offshore investors and investor road-shows were held in South Africa, as in previous years, in Hong Kong and New Zealand for the first time. Domestically, Growthpoint continued to expand its connections with Australian institutional and retail investors and conducted a number of property tours and meetings with new, existing and potential investors. During the year, Bank of America/Merrill Lynch, UBS and National Australia Bank initiated institutional research coverage on Growthpoint adding to Macquarie Bank.

GROWTHPOINT PROPERTIES

Property valuations

- As at 30 June 2013, Growthpoint owned a total of 44 properties with a combined value of approximately $1.7 billion (at completion of a development under construction). A reconciliation with the reported accounts appears below:

| Item | $ million |
|---|---|
| Trade and other receivables<br>(non-current) being straight lined rental income | 52 |
| Investment properties | 1,595 |
| Sub-total | 1,647 |
| Other receivables (non-current) | 21 |
| Value of properties as at 30 June 2013 | 1,668 |
| Remaining payments on fund through properties<br>(excludes new acquisitions announced in July 2013) | 27 |
| **Pro forma property portfolio valuation** | **1,695** |

- Properties were independently valued over the year and the table below details the movement in property valuations to 30 June 2013:

| Property type | Properties at 30 June 2012 | Value at 30 June 2012 | Capex for year | Property acquisitions or expansions | Property disposals | Revaluation gain / (loss) | Valuation at 30 June 2013 | Increase / (decrease) from prior value | Properties at 30 June 2013 |
|---|---|---|---|---|---|---|---|---|---|
| By sector | No. | $m | $m | $m | $m | $m | $m | % | No. |
| Industrial portfolio | 27 | 834 | 2.6 | 63.3 | (71.0) | 20.7 | 850 | 2.5% | 29 |
| Office portfolio | 15 | 635 | 1.1 | 169.6 | - | (9.0) | 797 | -1.4% | 15 |
| **Total portfolio** | **42** | **1,470** | **3.7** | **232.9** | **(71.0)** | **11.7** | **1,647** | **0.8%** | **44** |

- The weighted average capitalisation rate for the combined portfolio was 8.4% at 30 June 2013 and 8.3% and 8.4% for the industrial and office portfolios respectively.
- The net valuation increase (after adjusting for capital expenditure) of $11.7 million, or 0.8%, added 3 cents to net tangible assets ("NTA") per stapled security.
- The office portfolio decrease of $9.0 million included writing off acquisition costs on four recently acquired properties of $15.8 million. Excluding this write off the office properties increased in value by $6.8 million over the year.

Net tangible assets

Growthpoint's NTA per stapled security was $2.00 as at 30 June 2013, 7.0 cents, or 3.6%, higher than as at 30 June 2012. NTA per stapled security included gains from property valuations referred to above, swap revaluations and equity raisings above NTA and the retaining of earnings.

**Outlook**

There has been a slowdown in office demand and an increase in vacancy rates across most Australian markets over the last 12 months, the industrial property market demonstrates growth in rents with supply largely matched by demand. Growthpoint Properties Australia is well positioned with weighted average lease term (WALE) of 7.9 years for the industrial portfolio and 5.7 years for the office portfolio, a rising rental income through fixed annual rent increases and minimal near term lease expiries underpinning a stable and growing distribution to securityholders.

Property yields in Australia are attractive from a global perspective and have a positive spread relative to domestic borrowing costs. With the Australian official cash rate at a record low of 2.5%, and the outlook for interest rates to be low for some time, higher yielding well leased property investments will be sought after. Off-shore, domestic superannuation funds and wholesale funds, as well as A-REITs have been active buyers in the market and we expect this purchaser demand for institutional grade property to continue into FY 2014.

Growthpoint's property portfolio is performing well and the Group is positioned to continue the growth it has experienced in the last few years should attractive investment opportunities arise.

Directors reaffirm their guidance for the FY2014 distribution to security holders of 19.0 cents per security, 3.8% higher than FY 2013, providing an attractive distribution yield of approximately 7.9% based at current pricing levels[3].

**Ends**

**www.growthpoint.com.au**

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## Growthpoint Properties Australia

Growthpoint Properties Australia is a publicly traded ASX listed A-REIT (ASX Code: GOZ) that specialises in the ownership and management of quality investment property. GOZ owns interests in a diversified portfolio of 47 office and industrial properties throughout Australia valued at approximately $1.8 billion (including recently announced acquisitions at their valuations on completion) and has an investment mandate to invest in office, industrial and retail property sectors.

GOZ aims to grow its portfolio over time and diversify its property investment by asset class, geography and tenant exposure through individual property acquisitions, portfolio transactions and corporate activity (M&A transactions) as opportunities arise.

[3] Based on the closing price for GOZ on 15 August 2013 of $2.40