ASX ANNOUNCEMENT
GROWTHPOINT PROPERTIES AUSTRALIA (ASX Code: GOZ)

17 February 2014

Results for the half-year ended 31 December 2013

The Directors of Growthpoint Properties Australia Limited today announce the results for Growthpoint Properties Australia (**"Growthpoint"**) for the half-year ended 31 December 2013 (**"the Half Year"**).

Timothy Collyer, Managing Director, commented:

> "In accordance with market guidance, Growthpoint will be distributing 9.4 cents per stapled GOZ security[1] on 28 February 2014 for the Half Year; a 4.4% increase on the previous corresponding period.
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> The return on equity for the year ended 31 December 2013 was 19.0% due to growth in profit, distributions and NTA per security. The total security holder return for the five years to 31 December 2013 was 17.5% per annum well above the A-REIT average of 8.8%[2].
>
> During the Half Year, the property portfolio was expanded through the acquisition of five industrial properties in Victoria and the completion of a pharmaceutical warehouse in New South Wales acquired via a development fund-through agreement. The property portfolio is valued at over $1.8 billion and we remain focussed on continuing to grow this portfolio whilst not diluting its excellent quality.
>
> We also continued to expand the securityholder register through a significantly oversubscribed $150 million equity raising bringing several new institutional investors onto the register. The DRP has been well supported providing additional capital to fund previous and potential future property acquisitions.
>
> Among other capital management initiatives, we have extended and expanded our debt facilities and reduced balance sheet gearing significantly. Gearing is now near the bottom of Growthpoint's target range of 40%-45%.
>
> In summary, we own a quality property portfolio with a weighted average lease expiry term of 6.6 years (one of the longest in the A-REIT sector[3]), have responsible gearing and are well placed to continue to grow distributions."

Highlights for the Half Year

- **Profit** of $63.5 million; up 86.9% from the previous corresponding period. This equates to 15.0 cents earnings per GOZ stapled security; up 71.9% from the previous corresponding period.
- **Distributable income** of $42.0 million; up 14.2% from the previous corresponding period. This equates to 9.9 cents per GOZ stapled security; up 5.0% from the previous corresponding period.
- **Distributions** of $39.9 million are due to be paid to securityholders on 28 February 2014, providing a payout ratio of 95%. This equates to 9.4 cents per GOZ stapled security which is consistent with market guidance and a 4.4% increase from the previous corresponding period[1].
- **Distribution guidance:** Directors have provided distributable income guidance for FY 2014 of 19.6 to 20.0 cents per stapled security and FY 2014 distribution guidance of 19.0 cents per stapled security.
- **Net tangible assets:** Net tangible assets (**"NTA"**) total $1.0 billion, equating to $2.11 per stapled security. The NTA per stapled security has grown from $2.00 at 30 June 2013, a 5.5% increase, and from $1.93 at 31 December 2012, a 9.3% increase. The increase in NTA per stapled security is attributable to increases in property values, a reduction in the interest rate swap book liability, Growthpoint retaining profit and the positive effect of issuing new equity at a price above NTA per stapled security.
- **Return on equity**: The return on securityholders' equity, taking into account distributions paid/payable and the change in NTA per stapled security, for the 12 months ended 31 December 2013 was 19.0%.
- **Total securityholder return**: Growthpoint's total securityholder return, taking into account distributions paid/payable and the movement in the GOZ security price for the 12 months ended 31 December 2013 was 21.1%, versus the S&P/ASX 300 Property Accumulation Index of 7.3%. Growthpoint also

[1] Holders of "GOZNA" and "GOZN" securities will receive pro-rated distributions of 2.6 cents and 1.1. cent per stapled security respectively. These securities have now collapsed into "GOZ".
[2] Compared to S&P/ASX 300 Property Accumulation Index. Source: UBS Investment Research
[3] Source: Petra Capital Pty Ltd

outperformed during the Half Year, with a total securityholder return of 7.3% versus the S&P/ASX 300 Property Accumulation Index of -1.3%[4].

• **Equity raising:** Growthpoint completed a $150 million equity raising at an offer price of $2.45 per new Growthpoint stapled security in October and November 2013 (**"Equity Raising"**). At the offer price, new stapled securities provide a FY 2014 DPS yield of 7.8%[5].

The Equity Raising consisted of:

- A $50 million placement to existing and new institutional investors (**"Placement"**); and
- A $100 million, 1-for-10.15 renounceable rights offer to existing eligible securityholders (**"Rights Offer"**).

Both the Placement and Rights Offer were oversubscribed (the latter due to existing holders being able to subscribe for additional securities over and above their entitlement).

The Equity Raising supported the acquisition of high-quality industrial assets (see below), a restructure of interest rate swaps and a reduction in gearing.

Additionally, Growthpoint's distribution reinvestment plan (**"DRP"**) has raised equity of approximately $57.6 million since June 2013 with a majority of securityholders electing to reinvest their June 2013 and December 2013 distributions into additional GOZ stapled securities. Participation has averaged 76% for these distributions. In both cases, funds from the DRP have been used to partially fund property acquisitions and to reduce debt.

• **Property Acquisitions:** During the Half-Year, Growthpoint announced the following industrial acquisitions:

1. **213-215 Robinsons Road, Ravenhall, Victoria** was purchased for a total consideration of $23.2 million (before transaction costs), providing an initial yield of 8.5%.

   The property is located in the new, master-planned Orbis Business Park, 20 radial kilometres west of the Melbourne CBD. It is strategically located near the Deer Park Bypass, providing ready access to the Western Freeway, Princes Highway and Western Ring Road.

   The building comprises open plan office accommodation, warehouse and production facilities over a net lettable area of 21,092m². Completed in July 2010, the property is fully leased to Fuji Xerox, one of Australia's leading document printing and copying companies, for 15 years from July 2010 with two renewal options each of five years.

2. **120-132 Atlantic Drive, Keysborough, Victoria** is a high-spec distribution 12,864m² warehouse/office facility comprising ambient and temperature-controlled high-bay warehousing, located in the Key Industrial Park immediately adjacent to the Eastlink freeway. The total cost is $17.3 million (excluding transaction costs) and will provide an initial yield of 7.5%.

   Completed in December 2013, this property is 100% leased for 15 years to Symbion Pty Ltd, a diversified health services business operating under a number of brands including Symbion Pharmaceutical Services, ChemMart Pharmacy, Pharmacy Choice, Symbion Dental and Terry White Chemists. Symbion is a wholly-owned subsidiary of the New Zealand Stock Exchange listed EBOS Group.

3. A two-building, 17,834m² industrial development located in the Key Industrial Park at **19 & 20 Southern Court, Keysborough, Victoria,** expected to reach practical completion in March 2014. The total cost is $18.8 million (excluding transaction costs) and will provide an initial yield of 8.25%[6]. The developer, Australand Property Group, provided a five-year rental guarantee for any part of the building not leased at practical completion and Growthpoint will receive a coupon of 7.5% per annum on all amounts paid until practical completion. An agreement for lease for 19 Southern Court of approximately 6,434m m² has been signed with Transport Management Solutions for five years from practical completion.

4. **9-11 Drake Boulevard, Altona, Victoria**, was completed in December 2013. This 25,743m² industrial development comprises three tenancy areas in the Access Altona Industrial Estate. The total purchase

[4] Source: UBS Investment Research
[5] Based on distribution guidance of 19.0 cents per stapled security
[6] A negative yield adjustment leading to a higher purchase price applies if the buildings are let for more than five years by a yield reduction of 0.07% for each additional year above five years up to a maximum increase of 0.35% for 10 years or more.

price was $24.1 million (excluding transaction costs) and provided an initial yield of 8.25%[7]. Unit A of 13,625m² is being marketed for lease, however, is backed by an Australand five year rent guarantee from practical completion. Unit B of 5,481m² has been leased to Atlas Specialty Metals, the largest supplier of stainless steel and specialty steel products in Australia and New Zealand, for a term of five years. Unit C of 6,637m² has been leased to Prolife Foods, a privately owned NZ food company that predominantly operates in the New Zealand and Australia, for a five year term.

These acquisitions continue Growthpoint's strategy of acquiring high-quality, modern industrial assets, located in prime markets with long lease terms and fixed annual rental increases. We continue to seek assets like these to underpin growth in distributable income.

• **New Leases:**

Marking further leasing success for our Brisbane office portfolio, Toyota Tsusho South Pacific Holdings (a subsidiary of Nikkei-listed Toyota Tsusho Corporation which has assets of approximately A$40 billion) signed a new 10-year lease for part of the award-winning SW1, South Brisbane office complex. The lease for 994m² plus 21 car parks in the **CB1 Building, SW1, 104 Melbourne Street, South Brisbane**, commenced on 1 December 2013, has an option for one additional five-year term, and annual fixed reviews of 3.5% per annum.

The agreement of this lease followed the June announcement that Peabody Energy Australia had committed to a 10-year lease of the entire adjacent 5,762m² **CB2 office building**.

These leases highlight the attractiveness of the SW1 complex to corporate tenants: modern buildings, high green credentials, good-sized floor plates, ample parking, excellent staff amenity and a good location in proximity to the CBD and major transport linkages. Lower rent in South Brisbane than for similar quality properties in the Brisbane CBD remains a key consideration for corporate and government tenants.

Anne Street Partners, a financial planning and advice firm, had taken a seven-year lease on a whole floor at **333 Ann Street, Brisbane**.

Both the Peabody and Anne Street Partners leases have fixed 3.75% annual reviews, enhancing the underlying rental income growth of the portfolio.

• **Capital management initiatives:** The Equity Raising enabled Growthpoint to lower its gearing, via debt reduction, and enjoy a lower rate of interest due to the restructure of its interest rate swap book. Additionally, the DRP has been used to purchase property assets and lower gearing.

In regard to debt facilities, Growthpoint's concentration has been on lowering its cost of debt by negotiating lower lending margins with financiers and extending the maturity of debt facilities when opportune.

Following on from the re-pricing and extension of its Syndicated debt facility in June 2013, in December 2013 Growthpoint re-priced and extended the term of its existing $70 million bilateral debt facility agreement with National Australia Bank. The maturity date was extended by three years from 30 April 2016 to 30 April 2019.

The table below details key metrics and changes during the Half Year:

	31-Dec-13	30-Jun-13	Change
	$'000	*$'000*	*$'000*
Total assets	1,808,982	1,680,398	128,584
Interest bearing debt	737,853	793,426	-55,573
Total debt facilities	895,000	895,000	-
Undrawn debt	157,147	101,574	55,573
Balance sheet gearing (%)	40.5	46.8	-6.4
Weighted average debt maturity (years)	4.0	4.3	-0.3
Weighted average interest rate (%)	6.1	6.7	-0.6
Debt hedged (%)	90	93	-3.0
Weighted average hedge maturity (years)	3.4	3.4	-
Annual interest coverage ratio (times)	2.8	2.6	0.2

[7] A negative yield adjustment leading to a higher purchase price applies if the buildings are let for more than five years by a yield reduction of 0.07% for each additional year above five years up to a maximum increase of 0.35% for 10 years or more.

At 31 December 2013, Growthpoint's weighted average debt maturity date was 4.0 years and the weighted average "all-in" cost of debt was 6.15% per annum.

Growthpoint's gearing as at 31 December 2013 was 40.5% which is at the lower end of its target range of 40% to 45%.

• **Property Valuations:** As at 31 December 2013, Growthpoint held a total of 49 properties with a combined value of $1.8 billion[8].

Of the 49 properties Growthpoint owns:

- 27 properties were independently valued as at 31 December 2013; and
- 22 properties were subject to a Directors' valuation as at 31 December 2013.

A like for like increase in property values of 1.1% provided for a $18.0 million valuation increase across the portfolio, net of capital expenditure and capitalised acquisition costs.

Growthpoint's weighted average capitalisation rate by sector is:

	31-Dec-13	30-Jun-13
Industrial portfolio	8.2%	8.3%
Office portfolio	8.2%	8.4%
Total portfolio	**8.2%**	**8.4%**

Net Property Income
The property portfolio had like-for-like net property income growth of 2.5% for the 12 months ended 31 December 2013 and 1.4% for 6 months ended 31 December 2013.

Property markets[9]

Industrial:

- Occupier demand remains patchy within the national industrial sector and Quarter 4, 2013 (Q4) preliminary data indicates only 300,000 square metres of gross take-up was recorded suggesting a steady tapering off of demand. Of this gross take-up, a little over 50% for Q4 resulted from pre-lease or design and construct deals.
- On the supply side, the past 6 months has seen an increase in completed stock from previous quarters' data although projects which started in Q4 were below trend.
- Net face rents for existing prime and secondary grade stock have generally remained stable nationally due to demand constraints. Additionally, competitive pre-lease and speculative development has inhibited net face rental growth and placed upward pressure on incentives.
- Investment sales activity was strong throughout 2013 with both local institutional investors and foreign investors competing for prime grade industrial stock. Several Australian institutional investors have raised further capital recently and acquisition mandates are anticipated to continue for the next 12 months. Of the stock that did transact, the bias remains towards prime grade assets with long term leases, strong covenants and modern improvements as the yield spread between prime and secondary grade industrial assets increases.
- Prime Industrial: It is apparent that demand for prime grade stock is exceeding the supply of prime grade assets with strong competition firming yields from previous years, where sales demonstrate a range in yields between 7.25% and 8.25%, with a property currently in due diligence rumoured to reflect a yield of sub 7.00%. Further tightening is forecast throughout 2014 with outstanding mandates in play.

8 Assuming completion of the properties at 19 & 20 Southern Court, Keysborough, valued at $18.8 million (completion expected to occur in March 2014).

9 Source: GOZ and Jones Lang LaSalle, *Preliminary Market Overview Q4/2013*, January 2014

- Secondary Industrial: There have been relatively few secondary grade industrial stock sales with the majority of demand being for prime grade assets. Many secondary grade industrial assets remain heavily discounted by buyers, exhibiting soft yields at 9.50% plus.

Office:

- Net absorption for 2013 has been the weakest on record at negative 238,800 square metres as businesses either vacating or downsizing have outstripped tenant expansion and corporate Australia remains in cost rationalisation mode. There was a further rise in sub-lease availability of approximately 55,300 square metres over the past year and nationally all vacancy rates within the CBD office markets are in excess of 10%.
- Net effective rents throughout the national office sector have generally remained flat or in some cases decreased as rising vacancy has continued to put upward pressure on leasing incentives.
- The office sector has experienced contrasting dynamics in the past 12 months displaying a weak occupier market against a strong prime grade investment market. Investor demand has remained robust with an increase in transaction volumes from last year as the A-REIT sector and offshore investors have been actively seeking prime grade office assets.
- Capital is available with the majority of demand being for prime quality assets providing long lease terms, modern improvements and fixed rent increases, and yields have firmed up to 25 basis points at the tighter end of the prime yield range. Sales have demonstrated that yields for prime A-grade CBD office assets now range from 6.50% to 7.50%.

Outlook

Growthpoint is well positioned in the market for future growth. The property portfolio is modern, well leased to quality tenants with a WALE of 6.6 years and a rising rental income through fixed annual rental increases. Property occupancy is 98%. The balance sheet is well capitalised and Growthpoint has had significant success in accessing both equity and debt capital. The Board and management are confident of Growthpoint's investment strategy and there has been good investor support for this during the recent Equity Raising.

Office market leasing conditions are likely to remain difficult in 2014. Despite this, and the moderate occupier demand for industrial space being experienced, competition for well leased office and industrial properties is expected to continue as the demand for investment outweighs the supply of property coming to market for sale.

The focus for Growthpoint in the short to medium term remains:

- Continuing to provide growing distributions to securityholders
- Continued growth and diversification of the property portfolio via M&A transactions, direct property acquisitions and developments
- Maintenance of a gearing ratio of 40% to 45% and further diversification of debt funding sources to the capital markets
- Tenant retention strategies and the leasing of current vacant space
- Evaluation of tenant requested expansions and redevelopment opportunities within the portfolio
- Continuing to expand and diversify the securityholder base and trading liquidity to achieve S&P/ASX index inclusion.

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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 49 office and industrial properties throughout Australia valued at over $1.8 billion (including recently announced acquisitions at their value 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.