

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

18 November 2015

### Acquisition and development of Melbourne suburban office building

Growthpoint Properties Australia (“**Growthpoint**”) is pleased to announce that it has entered transaction documents with a joint venture between Frasers Property Limited (previously Australand Holdings Limited) and Commercial & Industrial Property Pty Ltd (together, “**Developer**”) for the acquisition of land and the development of an office building to be known as Building C, 211 Wellington Road, Mulgrave, Victoria (“**Property**”).

#### The Property

The Property will comprise a five storey office building with a lettable area of 10,295 square metres, together with a five level car park of 598 spaces. The total cost is approximately \$50.9 million<sup>1</sup>, providing an initial income yield of 7.25% on completion of the development. Growthpoint will acquire the site of 1.11 hectares for \$7.0 million and will pay the balance of \$43.9 million as works are completed.

The building is targeting a 5 star NABERS rating and 5 star Green Star rating (by design) and will be 47% leased (by area) to major tenant BMW Australia Finance Limited (“**BMW**”) under a five year lease (from practical completion) with two further options of five years each.

The Developer will provide a five year rent guarantee for any part of the remainder of the building not leased at practical completion, expected in late 2016. The rent under the BMW lease and the rent guarantee provided by the Developer each increase by 3.25% per annum. Growthpoint will receive a coupon of 7.25% per annum on amounts paid until practical completion.

Urbis has independently valued the Property, as if completed, at the acquisition and development cost.

#### The location

Mulgrave is approximately 22 kilometres south-east of Melbourne’s Central Business District and is a popular and established office precinct of approximately 300,000 square metres with many corporate tenants. Mulgrave forms part of the South Eastern Suburbs office market of 1.3 million square metres<sup>2</sup>.

The Property is located between the major intersections of Blackburn and Springvale Roads and in close proximity to major transport links including Monash Freeway, M3/Eastlink Freeway and Princes Highway.

#### Major Tenant - BMW

BMW provides retail and wholesale financing for prestige vehicles across Australia and has approximately 85,000 customers. BMW will use the Property for administration.

BMW is part of BMW Group Financial Services in turn wholly owned by Germany’s BMW AG.

Growthpoint’s Key Metrics at 31 October 2015*	
Total property portfolio value	\$2.4 billion
Distribution guidance FY16	20.5 cents
Number of properties	55
Office / industrial	50% / 50%
Average property age	8.5 years
Occupancy	96.6%
Weighted average lease expiry	6.6 years
Weighted average rent review* *assumes CPI of 1.5%	3.0%
Weighted average capitalisation rate	7.3%
Gearing	39.9%
Average debt term	4.3 years
Average duration of fixed debt	4.7 years

\*Excludes Building C, 211 Wellington Road, Mulgrave, Victoria



Building C, 211 Wellington Road, Mulgrave, VIC (artist’s impression)

<sup>1</sup> Excluding acquisition costs.

<sup>2</sup> Source: JLL.



### Building B, 211 Wellington Road, Mulgrave, Victoria

The Property adjoins Building B, 211 Wellington Road, Mulgrave, Victoria (“**Building B**”) which Growthpoint acquired from the Developer in late 2014 for a total cost (including development fees) of \$62.6 million<sup>3</sup> providing a passing yield of 7.75% from practical completion (expected in early December 2015)<sup>4</sup>. Despite not being completed, Building B is already 85.6% leased (by area) to third parties comprising 70.4% to Monash University and 15.2% to other parties<sup>5</sup> leaving just 14.4% under a rental guarantee from the Developer. Monash University have leased additional office space, originally to occupy 61.5% of the building, highlighting the desirability of this location to a range of tenants.

### Funding of the acquisition

Funding for the acquisition and development of the Property will come from undrawn debt from the Group’s syndicated debt facility taking Growthpoint’s balance sheet gearing to 41.1%<sup>6</sup>.

### Development fund-throughs

This will be the ninth development fund-through by Growthpoint under which Growthpoint acquires land and then funds the development of fully or substantially pre-leased improvements until completion. Development fund-throughs provide Growthpoint with new buildings, long leases to excellent tenants, potential valuation upside and reduced transaction costs.

Further details of these fund-through transactions are below.

PROPERTY	Sector	Acquisition and development costs/ initial yield	Current valuation/ current passing yield	Practical completion	% currently leased/ % leased at acquisition <sup>1</sup>	Current weighted average lease expiry
1231-1241 Sandgate Rd, Nundah, Qld	Office	\$77.9m / 8.25%	\$93.2m / 7.44%	Nov 2012	100% / 96%	11.0 years
Bldg C, 219-247 Pacific Hwy, Artarmon, NSW	Office	\$82.7m / 8.13%	\$103.5m / 7.09%	Dec 2012	83% / 56%	6.4 years
27-49 Lenore Dr, Erskine Park, NSW	Industrial	\$46.3m / 8.00%	\$58.3m / 6.54%	Aug 2013	100% / 100%	7.8 years
9-11 Drake Blvd, Altona, Vic	Industrial	\$24.7m / 8.07%	\$29.6m / 7.22%	Dec 2013	100% / 0%	5.9 years
120-132 Atlantic Dr, Keysborough, Vic	Industrial	\$17.4m / 7.50%	\$21.0m / 6.45%	Dec 2013	100% / 100%	13.1 years
19 Southern Crt, Keysborough, Vic	Industrial	\$7.0m / 8.25%	\$7.8m / 7.68%	Apr 2014	100% / 0%	3.4 years
20 Southern Crt, Keysborough, Vic	Industrial	\$11.8m / 8.25%	\$13.4m / 7.50%	Apr 2014	100% / 0%	7.2 years
Bldg B, 211 Wellington Rd, Mulgrave, Vic	Office	\$62.6m / 7.75%	\$62.6m / 7.75% <sup>3</sup>	Dec 2015 <sup>2</sup>	86% / 62%	5.0 years <sup>4</sup>
Bldg C, 211 Wellington Rd, Mulgrave, Vic	Office	\$50.9m / 7.25%	\$50.9m / 7.25% <sup>3</sup>	Aug 2016 <sup>2</sup>	47% / 47%	5.0 years <sup>4</sup>
<b>TOTAL</b>		<b>\$381.3m</b>	<b>\$440.3m</b>			

1. All unleased areas at practical completion have/had a five year rental guarantee from the developer from completion. 2. Expected completion date. 3. On completion valuation. 4. From practical completion.

Growthpoint’s Managing Director, Timothy Collyer, said,

“We are pleased to be funding another Frasers and CIP development, the ninth development fund-through Growthpoint has undertaken and the second in Mulgrave.

Growthpoint was attracted to this investment because of the Property’s quality design, high green credentials, prominent and established suburban location and the major tenant, BMW Australia Finance Limited, a new tenant to the property portfolio. The acquisition at an income yield of 7.25% is accretive to Growthpoint’s earnings and there are low acquisition costs associated with the transaction structure.

Acquisition of this brand new office building, with no significant capital expenditure in the medium term, remains consistent with our strategy to invest in modern office buildings leased to quality tenants.”

<sup>3</sup> Excludes acquisition costs.

<sup>4</sup> Growthpoint has been receiving 7.25% coupon interest on funds paid to the Developer. These payments continue to be paid until practical completion which is now expected to occur in early December 2015.

<sup>5</sup> Includes leases under negotiation which are expected to be finalised shortly.

<sup>6</sup> This percentage is on a stand-alone pro forma basis showing the movement in gearing on the date of this announcement to the increased debt arising to fund this transaction. It is based on information known on the date of this announcement and does not make any allowance for possible sale transactions, valuation gains, capital raisings or any other matter which may significantly impact on this percentage.



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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. Including the acquisition noted in this announcement, GOZ owns interests in a diversified portfolio of 56 office and industrial properties throughout Australia valued at approximately \$2.5 billion and has an investment mandate to invest in office, industrial and retail property sectors.

Growthpoint is included in the S&P/ASX 200 Index and has been issued with an investment grade rating of Baa2 for senior secured debt by Moody's.

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.