

ASX ANNOUNCEMENT GROWTHPOINT PROPERTIES AUSTRALIA (ASX Code: GOZ)

23 November 2016

Presentation to the combined Annual General Meeting and General Meeting

Pursuant to ASX Listing Rule 3.13.3, the Chairman's and Managing Director's address for today's combined Annual General Meeting of Growthpoint Properties Australia Limited and general meeting of the unitholders of Growthpoint Properties Australia Trust are attached.

Webcast

Today's combined meeting are being webcast live at <http://edge.media-server.com/m/p/6abffziw> for the benefit of securityholders not being able to be present.

A link to a recording of this webcast will be made available on Growthpoint's website approximately from approximately 1pm (Melbourne, Australia time) 23 November 2016.

Aaron Hockly, Chief Operating Officer and Company Secretary

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 63 office and industrial properties throughout Australia valued at approximately \$3.3 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.

Growthpoint's Key Metrics at 1 October 2016 ¹	
Total property portfolio value	\$3.3 billion
Distribution guidance FY17 ²	At least 21.3 cps
Number of properties	63
Office / industrial	62% / 38%
Average property age	8.9 years
Occupancy	98.6%
Weighted average lease expiry (WALE)	6.5 years
Weighted average rent review ³	3.2%
Weighted average capitalisation rate	6.9%
Gearing current	46.0%
Average debt term	3.9 yrs
Average duration of hedges	3.4 yrs

1. Include Building C, 211 Wellington Rd, Mulgrave, Victoria at its 'on completion' valuation. 2. Excludes any impact from the takeover of GMF. 3. Assumes Consumer Price Index change of 1.3% per annum as per Australian Bureau of Statistics release for year to 30 September 2016.

**Annual General Meeting of Growthpoint Properties Australia Limited
Meeting of the unit holders of Growthpoint Properties Australia Trust**

10:00 am, Level 42, 101 Collins Street, Melbourne, Vic 3000

Wednesday, 23 November 2016

CHAIRMAN'S ADDRESS

Welcome to the combined annual general meeting of Growthpoint Properties Australia Limited and the general meeting of Growthpoint Properties Australia Trust. I am your Chairman, Geoff Tomlinson.

Please note that today's proceedings are being webcast live for the benefit of securityholders not able to be present. A link to a recording of this webcast will be made available on Growthpoint's website approximately two hours after the close of today's meeting.

As we have a quorum for these meetings, I am pleased to declare the meetings officially open.

The notice of meetings was sent to all securityholders on 24 October 2016 and I propose to take it as read.

In addition to the securityholders present, I would like to welcome representatives from our auditors, Dean Waters and Deanna Liapis of KPMG, and our directors: They are, from your right, Timothy Collyer, our Managing Director; Maxine Brenner; Estienne de Klerk; Grant Jackson; Francois Marais and Norbert Sasse.

Also present today is Aaron Hockly, our Company Secretary and Chief Operating Officer. And I would also like to introduce the other members of Growthpoint's executive management team, being our Chief Financial Officer, Dion Andrews, and our Head of Property, Michael Green, who are both seated at the front of the audience.

Finally, I would like to welcome Growthpoint's employees, several of whom are also present today.

The agenda for today is as follows:

1. A presentation on the business and its strategy by Managing Director Tim Collyer.
2. Presentation of the combined annual report for the company and the trust. I will call for questions and comments following the presentation of these accounts. The company's auditors, KPMG, are in attendance to answer any questions securityholders may have in relation to the audit, the auditor's report, the accounting policies adopted and the independence of the auditor. Please address questions to me in the first instance and I will direct them as appropriate.
3. I will then explain the voting procedures and address each of the remaining items of business set out in the notice of meetings. Securityholders will have the opportunity to ask questions or make comments in relation to each item.

After the meeting, directors, management and KPMG will be available for discussions with individual securityholders.

Growthpoint Properties Australia has been in operation for over seven years growing from a \$650 million externally managed industrial trust with a market capitalisation below \$300 million in mid-2009 to an internally managed group with \$3.3 billion of office and industrial assets and a market capitalisation in excess of \$2.1 billion. Securityholders will be aware that the Group recently completed a takeover of the former GPT Metro Office Fund and we welcome many former GMF unitholders as new Growthpoint securityholders as a result.

Directors are pleased with the achievements of FY 2016, including earnings and distribution growth, a larger and more diversified property portfolio post acquisitions, an excellent leasing result and achievement of a 19.6% per annum total securityholder return for the five years ended 30 June 2016. The Group has been ably managed by Tim Collyer and a consistent executive management team since establishment and I wish to thank all employees as well as my fellow directors for their contribution to our success.

I will now hand over to the Managing Director, Tim Collyer.

MANAGING DIRECTOR'S ADDRESS

Security holders, ladies and gentlemen, I welcome you to the Growthpoint Properties Australia Annual General Meeting.

Financial results

Growthpoint achieved growth in its distributable income of 3.3% above FY2015. Distributable income was 21.9 cents per security, providing for a distribution to security holders of 20.5 cents per security. The distribution paid was 4.1% higher than the prior year.

Total security holder returns were below the sector in FY 2016 at 7.4%, however, the Group has outperformed its peers over the 5 year period ending 30 June 2016, with a total return of 19.6% per annum.

The net asset per security was up 7.7% over FY2016 to \$2.67 per security. This was primarily as a result of property revaluation increases.

The change in NTA per security over the year plus the attractive distribution paid, provided for a return on equity of 15.9%.

Our objective since commencing as Growthpoint in 2009 has been to build the size of the property portfolio, to gain the benefits of diversification by tenant, sector and geography, by purchasing quality commercial real estate.

The portfolio now has a value of approximately \$3.3 billion, up from \$2.8 billion as at 30 June 2016 and \$2.4 billion, a year prior.

We are pleased to have been able to purchase 5 properties in FY 2016 valued at \$328 million.

These properties were purchased on an average initial yield of 6.8%, a weighted average lease expiry of 7.2 years, a weighted average rent review of 3.7% and are tenanted by quality corporate and government tenants.

Of significant interest to security holders and the wider market was Growthpoint's takeover of the ASX listed GPT Metro Office Fund (previous ASX Code: GMF).

After lodging an initial proposal with the Independent Board Committee of GMF in March 2016, bidding competition from another A-REIT, Growthpoint's takeover bid was lodged on 1 July 2016.

Prior to this, Growthpoint acquired a 13% stake in GMF from GPT and also agreed the terms of a Facilitation and Property Rights Agreement.

The offer of \$2.50 per GMF unit was subsequently recommended by the GMF IBC. Growthpoint's takeover offer closed on 23 September 2016 with approximately 95% acceptances.

The balance of GMF units have subsequently been compulsorily acquired and GMF has been delisted.

The GMF portfolio comprises 6, A-grade suburban office buildings valued at \$440.3 million.

With high occupancy and a weighted average lease expiry of 5.5 years, major tenants include Lion, Samsung, QLD Urban Utilities, Optus and Orora.

The strategic rationale for the acquisition by Growthpoint included:

- Accretion to Group earnings
- Quality, modern, A grade office buildings at an attractive yield
- Greater NSW investment exposure, which has been an objective of Growthpoint
- Issuing of Growthpoint scrip, as part consideration, at a price above NTA per security
- Increased market capitalisation and free float, which assists wider trading of Growthpoint securities

Directors welcome new Growthpoint security holders as a result of the transaction.

Leasing

In FY 2016, new and extended leases over 59,000 square metres were completed and post 30 June 2016 a further 39,000 square metres has been leased.

Combined, this covers 8.8% of portfolio total lettable area.

Highlights include:

- Successful leasing at 333 Ann Street, Brisbane, taking occupancy from 41% at the start of FY 2016 to 81% now
- Building 2 & 3 at Botanica Corporate Park, Richmond where approximately 23,000 square metres were pre-leased to David Jones & Country Road for their new national headquarters. These properties are currently fully occupied by General Electric. The average new lease term is 14.5 years

Current vacancies and near-term lease expiries have been reduced, with Growthpoint having an enviable lease expiry profile.

Only 1% of the portfolio is currently vacant and only 7% of portfolio income potentially expiring in FY 2017 and FY 2018 in aggregate.

In acquiring property, leasing vacant space and renewing leases, Growthpoint scrutinises the quality of the tenants very closely.

The top 10 tenants of Growthpoint, covering over 50% of portfolio rental income, comprise Commonwealth and State Governments and large international, ASX listed and private companies.

As at October 2016, the weighted average lease expiry of the portfolio was an attractive 6.5 years.

Property portfolio

Growthpoint's property portfolio now stands at 63 properties approximating a value of \$3.3 billion.

The Group holds 26 office buildings valued at over \$2.0 billion and 37 industrial properties valued at over \$1.2 billion.

Key features include occupancy of 99%, WALE of 6.5 years and a weighted average rent review of 3.2% per annum.

The portfolio is weighted 62% to the office sector and 38% to the industrial.

We will maintain investment in a quality industrial portfolio, however, have increased office market exposure in both Sydney and Melbourne where we believe rental growth prospects are relatively attractive.

Our geographic exposure has been increased in NSW to 25% and we would like to increase this.

Economic growth in the NSW economy is strong.

Growthpoint's key assets in Parramatta and Sydney Olympic Park will benefit from \$billion's government infrastructure projects, expected population growth and associated rejuvenation of office precincts.

Outlook

Property market

Demand for institutional grade, well leased property is robust with offshore buyer interest high. Office tenancy demand is good in both Sydney and Melbourne, whilst the Brisbane office has bottomed with tentative signs of improvement. There is a similar pattern for industrial tenant demand.

Financial markets and A-REIT's

We have recently witnessed considerable volatility in financial markets, particularly since the US Presidential election.

Much of this volatility and uncertainty has been caused by the market's outlook for interest rates in the United States and domestically.

Bond yields have moved up sharply.

A rotation of investment into resource stocks and so-called "growth stocks" has seen some investors move out of defensive/yield stocks, including A-REIT's.

With this backdrop the S&P/ASX A-REIT index is 17.6% down from its peak in August 2016.

Nevertheless, we have reason to be relatively confident about the outlook.

A-REIT's are reporting positive operating conditions and earnings growth.

The Australian economy is performing relatively well:

- GDP growth at 3.3%
- Population growth of 1.4%
- Unemployment of 5.6%
- Retail sales at 2.8%

- Inflation at 1.3%, with record low wages growth of 1.9%
- Better outlook for exports

Major eastern seaboard property markets are performing well, with supply side in check.

The sector benefits from historically low cost of debt finance and has extended hedging and debt tenor in recent years.

Finally, spreads for property investment remain attractive.

By way of example, taking GOZ's typical acquisition metrics:

- Property yield at 6.5% to 7.0% versus a cost of medium term debt at circa 4.0% per annum
- 10 year internal rate of return, or total return, at say 7.5% to 8.0% versus the 10 year government bond rate of 2.63%

Outlook for the Group

To the outlook and what Growthpoint will be concentrating on over the period ahead.

1. Property portfolio

- Leasing vacancies and FY 17 expiries
- Divestment of assets
- Feasibility, design development and obtaining pre-commitments for the approved 18,000 m2 office building at Richmond
- Continue GMF property transition
- Consider accretive acquisitions and further M&A activity

2. Operational

- Concentration on sustainability
- New employees across all business lines
- New head office
- Maintain strong investor relations program

3. Capital management

- Post GMF acquisition, lower gearing into the target range of 35% to 45% (currently 46%) by divestment of assets, DRP and if required, equity raising
- Issue additional long-term debt into capital markets
- Improve liquidity and free float

4. Market guidance FY2017

Guidance for FY2017 is of at least 22.2 cents per security for distributable income and a distribution payable of 21.3 cents per security, up 3.9% on FY 2016.

After executing the capital management initiatives discussed, Directors will consider whether there is scope to raise the distribution for this current financial year.

Based upon the closing price yesterday of \$3.01, this is a distribution yield of approximately 7.1%.

Conclusion

In concluding, I would like to thank Growthpoint security holders and other stakeholders for their continued support of the Group.

Growthpoint employees, most of whom are also security holders, work hard and diligently and as a team – I also thank them for their support.

In particular, I would like to thank the Directors for the long hours of work during the GMF takeover, where the expertise of the Board in property, valuations, M&A transactions, corporate law, capital markets and financing all came to the fore.

Thank you for your attendance today.