



20 February 2018

ASX ANNOUNCEMENT GROWTHPOINT PROPERTIES AUSTRALIA (ASX Code: GOZ)

The Directors of Growthpoint Properties Australia Limited are pleased to announce the results for Growthpoint Properties Australia (“**Growthpoint**” or “**Group**”) for the half year ended 31 December 2017 (“**HY18**”).

Details of the results webcast and call are contained on page 4 of this announcement.

2018 Half Year Results – Well positioned for the future

HY18 Highlights

- **\$207.3 million statutory profit**, an increase of \$94.3 million, or 83% on the prior corresponding period.
- **Highest reported half-year earnings per share of 31.3 cents** since Growthpoint's inception
- **Funds from operations (FFO) of 12.5 cents per security (cps)**
- **Half year distribution of 11.0 cps, providing 3.8% growth** on the prior corresponding period
- **FY18 guidance increased** during the period to FFO of at least 24.3 cps (up from 23.6 cps) and distributions of 22.2 cps (up from 22.0 cps)
- **Gearing reduced 270 basis points to 35.8%¹**, from 38.5%¹ at 30 June 2017
- **CY17 Return on Equity (ROE) of 21.3%**, compared with 12.7% for CY16
- **6.9% increase in NTA per security to \$3.08** at 31 December 2017 from \$2.88 at 30 June 2017
- **Property portfolio value of \$3.3 billion**
- **Like-for-like increase in property portfolio value of \$124.6 million**, or 4.0% on 30 June 2017 valuations
- **Sale of 522-550 Wellington Road, Mulgrave, Vic for \$90.75 million**, a 37.7% premium to its 30 June 2017 book value
- **42,741 sqm of new and extended leasing** undertaken since 30 June 2017. Portfolio occupancy maintained at 98%
- Average **NABERS energy rating for the office portfolio maintained at 4.5 stars**

Growthpoint's Key Metrics at 31 December 2017

Total property portfolio value	\$3.3 billion
Distribution per security guidance FY18	22.2 cents
Number of properties	56
Office / industrial	66% / 34%
Average property age	10.1 years
Occupancy	98%
Weighted average lease expiry	5.6 years
Weighted average rent review (assumes CPI of 1.9%)	3.3%
Weighted average capitalisation rate	6.4%
NTA per stapled security	\$3.08
Gearing ¹	35.8%
Percentage debt fixed	79%
Weighted average debt maturity	4.5 years
Average NABERS rating (energy)	4.5 stars

Managing Director, Timothy Collyer, said:

“The Board and management are pleased to report continued robust operational and financial performance over the six months to 31 December 2017.

“Active portfolio management, prudent control of expenses and a focus on favourable leasing outcomes have all helped deliver funds from operations of 12.5 cps and a distribution to securityholders of 11.0 cps, well on track to meet upgraded FY18 FFO guidance of at least 24.3 cps and distribution totalling 22.2 cps.

¹ Gearing calculation changed during the period from interest bearing liabilities divided by total assets to interest bearing liabilities less cash divided by total assets less cash. This change brings Growthpoint's gearing calculation more closely in line with industry peers.



“At our FY17 result we outlined a plan to take advantage of significant demand to divest assets either considered ‘non-core’ to the Group, or which we believe had reached their peak value to Growthpoint. Pleasingly we were able to achieve this by selling 522-550 Wellington Road, Mulgrave, Victoria for \$90.75 million. The sale price represented a 37.7% premium to the 30 June 2017 book value of \$65.9 million. Settlement of the sale occurred on 19 December 2017, with proceeds used to pay down existing debt and further reduce gearing.

“The group also made two acquisitions over the half which were disclosed prior to the FY17 result; the acquisition of four adjoining, modern industrial warehouses at Perth Airport providing an initial passing yield of 8.13%, and the acquisition of an 18.2% interest in Industria REIT (ASX: IDR) for approximately \$68.1 million, representing \$2.30 per IDR security.

“In terms of IDR and as management has previously stated, the stake was purchased at an attractive DPS yield of 7.2% which represented good value compared to pricing for direct real estate available in the market at the time of the acquisition. The Board and management continue to view Growthpoint’s interest in IDR as a quality standalone investment and will continue to actively review IDR and consider strategies that are in the best investment interests of Growthpoint securityholders.

“HY18 was also a positive period of property revaluations. Of the Group’s 56 properties, 31 were independently valued at 31 December 2017 and 25 were valued internally by Directors’ valuations. In aggregate, the book value of the property portfolio increased by \$124.6 million over HY18 equating to a 4.0% increase on a like-for-like basis. The key drivers of the valuation increase were a 17-basis point compression in the weighted average capitalisation rate over HY18 from 6.53% to 6.36% as well as broad improvements in market rents, particularly in Sydney and Melbourne, and favourable leasing undertaken in the portfolio.

“Growthpoint continued to outperform the benchmark S&P/ASX300 A-REIT Accumulation Index. On a calendar year basis Growthpoint delivered securityholders a 10.8% total return, 4.4% above the S&P/ASX 300 A-REIT accumulation index. The Group also continues to outperform over three and five-year periods, delivering average returns of 14.5% per annum and 17.0% per annum, respectively, outperforming the S&P/ASX300 A-REIT Accumulation Index by 3.2% per annum and 3.6% per annum, respectively, over those periods.”

Key Office Portfolio Highlights

- **Total office portfolio value maintained at \$2.2 billion**, from 30 June 2017
- Completed **9,990 sqm of new and extended leasing**, maintaining portfolio occupancy at 98%
- **Weighted average capitalisation rate of 6.1%**, compared with 6.3% at 30 June 2017
- Like-for-like **increase in office property portfolio value of \$80.8 million**, or 3.9% on 30 June 2017

“The main drivers of demand for office accommodation continue to screen positively, with solid employment growth and business confidence and conditions tracking above long run averages. Most major office markets recorded positive net absorption over the period, leading to rent growth in most Eastern seaboard office markets.

“Australian office markets continue to attract significant volumes of capital from domestic and offshore investors. Australian office investments remain attractive given healthy yield spreads and improving leasing fundamentals, particularly in Sydney and Melbourne. Strong competition in the Sydney and Melbourne markets has led investors to more actively consider other markets including Brisbane, Adelaide and Canberra which offer comparatively higher yields. Similarly, capital continues to seek placement in suburban office markets placing further downward pressure on yields.”

Key Industrial Portfolio Highlights

- **Total industrial portfolio value maintained at \$1.1 billion**, from 30 June 2017
- Completed **32,751 sqm of new and extended leasing** (includes leases completed since 31 December 2017). Portfolio occupancy 98%
- **Weighted average capitalisation rate of 6.8%**, compared with 6.9% at 30 June 2017
- Like-for-like **increase in industrial property portfolio value of \$43.8 million**, or 4.2% on 30 June 2017



“The first half of the year has been a busy period for Growthpoint’s industrial portfolio, with significant transactional and leasing activity contributing to a solid underlying performance. Appetite for well-located assets remains high in both leasing and investment markets, and this was reflected in another strong period of like-for-like valuation growth of \$43.8 million (or 4.2%), excellent leasing outcomes to high quality tenants (32,751 sqm leased) and high levels of occupancy at 98%.

“The main drivers of industrial demand remain largely positive, with solid export levels, strong population growth and continued growth in e-commerce retail. State and Federal investment in transport infrastructure, particularly in NSW, VIC and QLD is also driving demand.”

Mr Collyer also provided the following comments on **outlook and strategy**:

“After a positive start to FY18 we are confident in the outlook for the remaining six months of the financial year. Growthpoint remains committed to achieving continually growing income returns and long-term capital appreciation for securityholders.

“The significant portfolio reshaping undertaken over the past two years leaves the Group’s earnings profile materially de-risked and positioned in markets with the potential for greater income growth and long-term capital growth.

“Consistent with recent management commentary, Growthpoint will continue to review the existing portfolio in consideration of asset sales where higher underlying values can be achieved.

“Capital management strategies successfully implemented since the GPT Metro Office Fund takeover have positioned the balance sheet well and gearing is at the low end of the Group’s target range.

“We believe the recent increase in M&A activity validates Growthpoint’s M&A strategy and that listed transactional activity will continue to increase. Growthpoint considers itself well positioned to take advantage of further listed opportunities should the right transactions present themselves.”

Further information:

Investors/analysts

Daniel Colman, Investor Relations Manager
Telephone: +61 401 617 167

Media

Aaron Hockly, Chief Operating Officer
Telephone: +61 8681 2900

Important note

This announcement contains certain “forward-looking statements”. The words “anticipate”, “believe”, “expect”, “project”, “predict”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, opinions and estimates are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Growthpoint that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements and neither Growthpoint, nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains such statements that are subject to risk factors associated with the industries in which Growthpoint operates.



Results call

An analyst and investor briefing will be held via webcast and teleconference at 17:00 (Melbourne time) today (20 February 2018).

The webcast can be viewed by clicking on the link provided below and following the prompts provided:

<https://edge.media-server.com/m6/p/nec83wio>

Investors wishing to participate in the call should dial-in based on their location using the details below. Please ask to join the Growthpoint Properties Australia Investor Presentation.

Attendee Passcode (Non Q&A):		233524			
Location	Number	Location	Number	Location	Number
Australia Toll Free:	1 800 558 698	Germany:	0800 182 7617	South Korea:	00 798 142 063 275
Alternate Australia Toll Free:	1 800 809 971	Hong Kong:	800 966 806	Sweden:	020 791 959
Australia Local:	02 9007 3187	India:	0008 0010 08443	South Africa:	0800 999 976
New Zealand Toll Free:	0800 453 055	Indonesia:	001 803 019 3275	Switzerland:	0800 820 030
NZ Local (Auckland):	09 929 1687	Ireland:	1800 948 625	Taiwan:	008 0112 7397
NZ Local (Wellington):	04 974 7738	Italy:	800 793 500	Thailand:	001800 156 206 3275
NZ Local (Christchurch):	03 974 2632	Japan:	0053 116 1281	UAE:	8000 3570 2705
China Wide:	4001 200 659	Malaysia:	1800 816 294	United Kingdom:	0800 051 8245
Belgium:	0800 72 111	Norway:	800 69 950	US Local (New York):	(914) 202 3258
Canada:	1855 8811 339	Philippines:	1800 1110 1462	US Local (Los Angeles):	(909) 235 4020
France:	0800 913 848	Singapore:	800 101 2785	US Local (Chicago):	(815) 373 2080

Selected analysts and large investors will be provided with separate access codes to enable them to ask questions live on the call. Other investors are requested to direct questions to info@growthpoint.com.au prior to 14:00 (Melbourne time) so that they may be answered on the call.

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. Growthpoint owns interests in a diversified portfolio of 56 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.

Growthpoint 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.

www.growthpoint.com.au

**ASX Announcement**

Growthpoint Properties Australia (ASX code: GOZ)

20 February 2018

Appendix 4D**Results for the six months ended 31 December 2017****1. Details of reporting periods:**

The current reporting period is the six months to 31 December 2017. The previous corresponding reporting period was for the six months to 31 December 2016.

2. Results for announcement to the market

2.1/2.2/2.3 Revenue and profit from ordinary activities and net profit for the half-year attributable to stapled Securityholders:

	Period ended 31-Dec-17	Period ended 31-Dec-16	Change
	<i>\$'000</i>	<i>\$'000</i>	%
Revenue from ordinary activities	131,357	130,445	0.7%
Profit from ordinary activities after tax attributable to members	82,476	83,766	-1.5%
Net profit attributable to members	207,291	113,005	83.4%

2.4/2.5 Amounts per stapled security of distributions paid/payable during the half-year:

	Stapled securities	Record date	Payment date
	<i>(cents)</i>		
Interim distribution GOZ	11.00	29-Dec-17	28-Feb-18

2.6 Explanation of figures in 2.1 to 2.4:

Commentary on the above figures is included in the attached half-year results market release and half-year financial report.

3. Net tangible assets per stapled security:

	31-Dec-17	30-Jun-17	Change
	\$	\$	%
Net tangible assets per stapled security	3.08	2.88	6.9%

4. Details of entities over which control has been gained or lost during the year:

No control has been gained or lost over another entity during the period.



5. Details of distributions

	Stapled security	Total distribution	Payment date
	<i>(cents)</i>	<i>\$'000</i>	
Interim distribution GOZ	11.00	72,789	28-Feb-18
Total distributions paid		72,789	

6. Details of distribution reinvestment plans in operation

In December 2017, the Group announced that the Distribution Reinvestment Plan ("DRP") would be in operation for the distribution payable on or about 28 February 2018 in respect of the 29 December 2017 record date. The DRP price was \$3.29 per stapled security.

7. Details of associated and joint ventures:

Not applicable.

8. Accounting standards used for foreign entities:

Not applicable.

9. Description of audit dispute or qualification:

Not applicable.