ASX announcement.

Growthpoint Properties Australia (ASX: GOZ)

17 February 2022

Growthpoint Properties Australia delivers strong first half performance, reaffirms FY22 guidance and extends securities buy-back

Growthpoint Properties Australia (Growthpoint or the Group) today announces its results for the six months ending 31 December 2021 (1H22).

1H22 financial and capital management overview:

- Funds from operations (FFO) per security of 13.6 cents per security (cps), up 7.1% on prior corresponding period (pcp)[1]
- Net tangible assets (NTA) per security of $4.55, up 9.1% on 30 June 2021, primarily driven by valuation gains across the portfolio
- Gearing slightly increased by 150 basis points to 29.4%, well below the Group's target range of 35-45%
- Refinanced $715 million of debt and entered into new facilities of $150 million, reducing the Group's average cost of drawn debt to 2.9% at 31 December 2021 (3.3% at 30 June 2021)
- Statutory profit after tax of $374.3 million (1H21: $205.8 million)
- 1H22 distribution of 10.4 cps, 4.0% higher than pcp reflecting strong performance in 1H22
- Guidance upgraded in December 2021 to FY22 FFO guidance of at least 27.0 cps and FY22 distribution guidance of 20.8 cps

1H22 operations review:

- Net property income (NPI)[2] up 3.1% to $121.0 million and like-for-like NPI up 2.5% on pcp
- Strong property valuation uplift, with the portfolio valued at $5.0 billion at 31 December 2021, up 11.1% from $4.5 billion at 30 June 2021
- Weighted average capitalisation rate (WACR) of 5.0%, down 20 basis points from 30 June 2021
- Long weighted average lease expiry (WALE) of 6.3 years maintained (30 June 2021: 6.2 years)
- Leasing success with ~106,000 square metres of leasing completed in 1H22, or 10% of portfolio income, with tenant retention of 93%[3] across the portfolio
- Portfolio occupancy maintained at 97%, with 100% industrial portfolio occupancy at 31 December 2021
- Recognised as GRESB Sector Leader[4] in 2021 Sustainability Benchmark and CDP score maintained
- Invested over $300 million capital, acquiring three[5] high-quality office assets and additional Dexus Industria REIT (DXI) securities

Michael Green, Chief Investment Officer of Growthpoint, said: "Growthpoint has delivered robust results this half and is positioned for continued growth over the rest of the year. We have made strategic, accretive acquisitions in 1H22, investing over $300 million in three[5] high-quality office assets in New South Wales, Australian Capital Territory and Victoria and acquiring new securities in DXI.

"The value of Growthpoint's property portfolio increased 11.1% to $5.0 billion over the six months to 31 December 2021, with the uplift reflecting the Group's significant leasing outcomes in the period alongside favourable market conditions with signs of returning confidence in the office market and the continued momentum in the industrial market. Another period of strong valuation gains reinforces the quality and highly desirable nature of the Group's portfolio.

"The Group successfully leased approximately 106,000 square metres of accommodation, maintaining portfolio occupancy at 97% and long WALE of 6.3 years at 31 December 2021. We were pleased to achieve 93%[3] tenant retention and to observe tenants are broadly maintaining their space requirements, with the Group signing several key lease renewals on 100% of leased space with tenants across both our office and industrial portfolios.

[1] Prior corresponding period is the six months ended 31 December 2020.
[2] Net property income plus distributions from equity related investments.
[3] Weighted by income. Includes tenant renewals in future periods.
[4] Overall Regional Sector Leader – Diversified – Office/Industrial.
[5] Includes one asset contracted, with completion expected February 2022.

"We built on our strong capital position during the half, taking advantage of low pricing to refinance $715 million of debt, reducing our refinancing risk and extending our weighted average debt maturity. The terms secured underline our strong banking partner relationships and support for our growth ambitions.

"On the strength of our progress, we were pleased to upgrade guidance in December 2021, with FY22 FFO guidance of at least 27.0 cps, representing a minimum of 5.1% growth over FY21, and FY22 distribution guidance of 20.8 cps, up 4.0% on FY21."

Strategic acquisitions

Growthpoint invested $300 million capital in 1H22, acquiring high quality office assets and additional DXI securities.

Three[6] high quality office assets have been purchased with a blended WALE of 7.2 years and income yield of 5.0%.

These include the two previously announced purchases of modern A-grade office assets at 11 Murray Rose Avenue, Sydney Olympic Park, New South Wales (NSW) for $52.0 million[7] in August 2021, and 2-6 Bowes Street, Phillip, Australian Capital Territory (ACT) for $84.6 million[8] in December 2021.

Additionally, Growthpoint has entered into a contract to purchase 141 Camberwell Road, Hawthorn East, Victoria (VIC), a modern A-grade office asset for $125.0 million.[9] Completed in 2020 the building comprises 10,249 square metres of office and ground floor retail accommodation, with 304 undercover car parking bays. The property is 99% leased to high-quality tenants including Cabrini Health, Miele and Siemens Healthineers, with a 6.8 year WALE as at February 2022. The property is being acquired on a 4.8% income yield. The acquisition will be funded using debt. Settlement is expected to occur in February 2022.

In 1H22, the Group also invested a further $60.3 million in DXI, maintaining its holding at circa 15% and increasing its exposure to industrial assets.

Property portfolio valuation uplift

Growthpoint achieved its largest like-for-like[10] portfolio valuation uplift of $300 million (6.6%) over the six months to 31 December 2021. The Group's portfolio was valued at $5.0 billion,[11] up from $4.5 billion at 30 June 2021.

The Group engaged external valuers to value 38 of its 57 properties, or 75% of its portfolio by value, as at 31 December 2021. The remaining valuations were undertaken as internal Director's valuations.

The value of the Group's office portfolio increased to $3.3 billion as at 31 December 2021, 5.3% higher ($160.4 million) on a like-for-like basis than as at 30 June 2021. 88% of the Group's office assets increased in value.[12]

Valuation highlights include:

- 1 Charles Street, Parramatta, NSW increased in value by $45.0 million or 9% as investors continue to place a premium on securely leased, long WALE assets leading to further yield compression.
- Building 3, 570 Swan Street, Richmond, VIC increased in value by $18.0 million or 10% following a recent positive leasing outcome, with the asset now 93% occupied as at 31 December 2021.
- 33-39 Richmond Road, Keswick, South Australia (SA) increased in value by $10.0 million or 14% following the re-rating of the Adelaide metro office market leading to yield compression of 75 basis points.

The value of the industrial portfolio increased to $1.6 billion as at 31 December 2021, 9.3% higher ($139.7 million) on a like-for-like basis compared to 30 June 2021. 100% of the Group's industrial assets increased in value.[13]

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[6] Includes one asset contracted, with completion expected February 2022.
[7] Net sale price, excluding acquisition costs. Modern A-grade office asset completed in 2018, with net lettable area (NLA) of 5,684 square metres, 100% occupancy and WALE of 4.8 years as at settlement August 2021.
[8] Net sale price, excluding acquisition costs. Modern A-grade government-leased office asset constructed in 1986, refurbished in 2016/2017, with NLA of 13,376 square metres, 96% occupancy and WALE of 9.3 years at settlement in December 2021.
[9] Contract price, excluding acquisition costs.
[10] Excludes two properties acquired since 30 June 2021: 11 Murray Rose Avenue, Sydney Olympic Park, NSW and 2-6 Bowes Street, Phillip, ACT.
[11] Portfolio does not include 141 Camberwell Road, Hawthorn East, VIC. Completion expected February 2022.
[12] Valuations increased by more than 1%. Weighted by value.
[13] Valuations increased by more than 1%. Weighted by value.

Valuation highlights include:

- Lots 2, 3 and 4, 34-44 Raglan Street, Preston, VIC increased in value by $11.7 million or 28% following strengthened demand and rental growth in the tightly held 'last mile' industrial precinct over 1H22.
- 12-16 Butler Boulevard, Adelaide Airport, SA increased in value by $5.8 million or 33% following the Group entering into a long-term lease to Australia Post and the re-rating of the Adelaide industrial market on recent sales transactions.
- 5 Viola Place, Brisbane Airport, Queensland (QLD) increased in value by $5.0 million or 54% with the Group entering into a new long-term lease with an ASX listed tenant.

On-market securities buy-back extended

As part of its capital management strategy, Growthpoint also plans to extend its on market securities buy-back program for up to 2.5% of its issued capital[14] for a further 12 months. The Group will only purchase securities when it is accretive to FFO per security and NTA per security. Growthpoint is well positioned to continue the buy-back, with gearing remaining well below its target range, while also pursuing other opportunities for growth to enhance securityholder returns. Please refer to the Appendix 3D released today for further information in relation to the on-market securities buy-back program.

Outlook

Growthpoint is pleased to reaffirm the guidance provided on 14 December 2021 of FY22 FFO of at least 27.0 cps, representing a minimum of 5.1% growth over FY21, and FY22 distribution guidance of 20.8 cps, up 4.0% on FY21.

Any further acquisitions utilising our debt capacity, including the settlement of 141 Camberwell Road, Hawthorn East, VIC, should be accretive to FFO. This guidance also anticipates no significant market movements or unforeseen circumstances occurring during the remainder of the financial year.

Mr Green said: "As we look ahead, we are well-positioned to build on the robust performance of the Group in the first half, with strong growth momentum for the rest of the year. We are confident Growthpoint will continue to deliver on its long track record of sustainable returns to our Securityholders."

Market briefing

Growthpoint will provide a market briefing at 11:00am (AEDT) today, 17 February 2022. A webcast of the briefing will be available at https://webcast.openbriefing.com/8333/.

This announcement was authorised for release by Growthpoint's Board of Directors.

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Growthpoint Properties Australia

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About Growthpoint

Growthpoint provides spaces for people to thrive. For more than 12 years, we've been investing in high-quality industrial and office properties across Australia. Today, we own and manage 57 properties, valued at approximately $5.0 billion.[15]

We actively manage our portfolio. We invest in our existing properties, ensuring they meet our tenants' needs now and into the future. We are also focused on growing our property portfolio.

We are committed to operating in a sustainable way and reducing our impact on the environment. We are targeting net zero by 2025.

Growthpoint is a real estate investment trust (REIT), listed on the ASX, and is part of the S&P/ASX 200. Moody's has issued us with an investment-grade rating of Baa2 for domestic senior secured debt.

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[14] Upon announcement of initial buy-back on 25 February 2021.
[15] Valuations as at 31 December 2021.