ASX announcement.

Growthpoint Properties Australia (ASX: GOZ)

21 June 2023

FY23 FFO forecast to exceed guidance of 25.5cps - 26.5cps[1], confirms FY23 distribution guidance of 21.4cps and preliminary draft external valuations

Growthpoint Properties Australia (Growthpoint or the Group) is pleased to announce:

- Forecast FY23 funds from operations (FFO) guidance upgraded to 26.7[1] cents per security (cps) - exceeding prior FY23 FFO guidance of 25.5cps to 26.5cps.
- Distribution of 10.7cps for the six months ending 30 June 2023, bringing the total FY23 distribution to 21.4cps, in-line with guidance and a payout ratio of 80.1%.
- Preliminary draft external valuations[2] (69% of portfolio value) indicate a like-for-like decrease of $123.8 million from 31 December 2022 to 30 June 2023, a decline of 3.6% and a like-for-like decrease of $249.8 million from 30 June 2022 to 30 June 2023, a decline of 7.3%.

Timothy Collyer, Managing Director of Growthpoint, said, "We are very pleased to upgrade our FY23 FFO guidance and meet distribution guidance. The Group's movement in preliminary draft external valuations reflects the increased cost of capital across all markets. In the industrial portfolio, there continues to be strong market rental growth which is largely offset by yield expansion. According to JLL, the national CBD office vacancy rate remained at around 14%, with Q1 2023 seeing positive net absorption and a small increase in prime effective gross rents."

The Group reconfirms that the FY23 financial result will include two one-off items:

- A surrender of lease payment received in October 2022 for 5 Murray Rose Avenue, Sydney Olympic Park, NSW. The lease was due to expire in April 2024. The surrender payment enabled Growthpoint to receive the approximate net present value of the remaining Lion Pty Ltd lease income in FY23, with the aim to re-lease the premises ahead of the original April 2024 lease expiry. The property is a modern A-grade office building of 12,386 square metres, with a 6-star NABERS Energy rating and a high-quality fit out in-situ. To date the property remains vacant but has received good tenant enquiry.
- A $6.5 million bank guarantee payment received in accordance with the Collection House Ltd lease following its voluntary administration in June 2022 and an agreed lease termination for its 8,000 square metres at 100 Skyring Terrace, Newstead, QLD. Proceeds from the bank guarantee offset downtime in foregone rental income as the quality office space was progressively leased in FY23 by two high-quality Government tenants. The property is now 100% occupied.

The Group advises that had these two properties been leased for all of FY23 (as per the original lease terms), then FFO would have been around 1.6 cps lower. The Group also notes the sale of 333 Ann St Brisbane, QLD which settled in mid-January 2023.

The acquisition of the Fortius Funds Management business in September 2022 will see a 9-month contribution in FY23. No additional funds under management have been added since the purchase. This, along with other factors, will see an increase in operating expenses in FY24 relative to FY23 for the Group.

Consistent with higher market interest rates and the Group's hedging program, which currently sees fixed debt at 70%, the Group's cost of debt is anticipated to be on average higher in FY24 relative to FY23. Pleasingly, Moody's recently reaffirmed the Group's investment-grade credit rating of Baa2 for domestic senior secured debt. The Group also recently converted $520 million of existing debt arrangements into Sustainability Linked Loans (SLLs) and established an overarching Sustainable Finance Governance Framework. Interest margin reductions are tied to the successful achievement of sustainability KPIs and targets. The KPIs will be measured against reductions in Scope 1, Scope 2 and Scope 3 emissions, and performance measured against the NABERS and GRESB ratings.

The Group will provide further details including FY24 FFO and distribution guidance at the FY23 results release on 17 August 2023.

[1] Subject to completion of Growthpoint's FY23 audited financial statements.
[2] Gross movement, excluding capital expenditure incurred and net movement on incentives.

Property portfolio preliminary draft external valuations

Growthpoint has engaged independent external valuers to revalue 36 of its 58 directly-owned properties, or 69% of the Group's portfolio by value, as at 30 June 2023. This means that the entirety of the Group's balance sheet portfolio has been independently valued at least once in the last six months, either at 31 December 2022 or at 30 June 2023, with some properties being externally valued on both dates. The preliminary draft external valuations indicate a $123.8 million, or 3.6%, decrease on a like-for-like basis in asset values from 31 December 2022 book values and a $249.8 million, or 7.3% decrease on a like-like basis in asset values from 30 June 2022 book values. Based on these figures, gearing is expected to remain toward the bottom of the Group's target range of 35% - 45%.

In line with the Group's valuation policy, the remaining valuations (31% of portfolio value) will be undertaken as internal or Director valuations with the results released with the full year report on 17 August 2023. The valuations, including the impact of Director valuations on the balance of the directly-owned portfolio, are subject to finalisation and audit and could be revised up or down. They also assume that there is no material change in market conditions before 30 June 2023, the effective date of the valuations.

Office

Growthpoint has had 18 of its 27 office assets revalued by independent valuers, representing 74% of its office portfolio by value. The preliminary draft external valuations indicate the value of the Group's office portfolio has decreased by $121.1 million, 5.0% lower on a like-for-like basis from the 31 December 2022 book values and a decline of $230.2 million, 9.7% lower on a like-for-like basis relative to 30 June 2022 book values. On a like-for-like basis, the average market capitalisation rates of the office buildings valued is 5.5%, an increase of approximately 27 basis points from 31 December 2022 and approximately 53 basis points from 30 June 2022.

Industrial

The Group has had 18 of its 31 industrial assets revalued by independent valuers, representing 60% of its industrial portfolio by value. The preliminary draft external valuations indicate the value of the Group's industrial portfolio has decreased by $2.7 million, 0.3% lower on a like-for-like basis from the 31 December 2022 book values and a decline of $19.6 million, 1.9% lower on a like-for-like basis relative to 30 June 2022 book values. On a like-for-like basis, the average market capitalisation rates of the industrial properties valued is 5.5%, an increase of approximately 43 basis points from 31 December 2022 and approximately 70 basis points from 30 June 2022.

Distribution

The distribution for the six months ending 30 June 2023 is 10.7 cps. The Group also confirms that the Distribution Reinvestment Plan remains suspended. Key dates for the distribution are:

Ex-distribution date	29 June 2023
Record date	30 June 2023
Payment date	31 August 2023

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

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About Growthpoint

Growthpoint provides space for you and your business to thrive. Since 2009, we've been investing in high-quality industrial and office properties across Australia.

Today, we have $6.9 billion[3] total assets under management. We directly own and manage 58 high quality, modern office and industrial properties, valued at approximately $5.0 billion[3]. We actively manage our portfolio and 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 manage a further $1.9 billion[3] on behalf of third-party investors through our funds management business, which manages funds that invest in office, retail and mixed-use properties across value-add and opportunistic strategies.

We are committed to operating in a sustainable way and reducing our impact on the environment. We are targeting net zero by 2025 across our 100% owned on balance sheet operationally controlled office assets and corporate activities.

Growthpoint Properties Australia (ASX: GOZ) 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.

[3] Total $6.9 billion AUM as at 31 December 2022 includes: $5.0 billion directly owned property valuations, pro forma for sale of 333 Ann Street, Brisbane, QLD which settled in January 2023 and $1.9 billion third-party funds under management