ASX announcement.

Growthpoint Properties Australia (ASX: GOZ)

22 August 2024

Growthpoint Properties Australia FY24 Results

Growthpoint Properties Australia (Growthpoint or the Group) is pleased to announce its financial results for the 12 months ended 30 June 2024 (FY24).

Financial performance

- Funds from operations (FFO) of $180.4 million equating to 23.9 cents per security (cps), above upgraded guidance
- Statutory net loss ($298.2 million), compared with FY23 statutory net loss of ($245.6 million), largely driven by revaluations on investment properties
- Distribution per security of 19.3 cents, in line with guidance, and a payout ratio of 80.7%, within the target payout ratio range of 75% to 85% of FFO
- Net tangible assets (NTA) per security of $3.45
- Gearing 40.7%, within the target range of 35 - 45% and with significant headroom to its LVR covenant of 60%

Portfolio performance

- Office portfolio of $2.8 billion:
  - 92% occupancy, up from 90% as at 30 June 2023 and weighted average lease expiry (WALE) of 6.1 years
  - Weighted average capitalisation rate (WACR) of 6.5%
  - 46,834 sqm of leasing completed

- Industrial portfolio of $1.6 billion:
  - 100% occupancy and WALE of 4.9 years
  - WACR of 6.0%
  - 60,794 sqm of leasing completed

Growthpoint CEO and Managing Director, Ross Lees said “Growthpoint has delivered a solid result in FY24 against a challenging backdrop underscored by persistent high interest rates, a decrease in property values and limited transaction volumes. Our team has, however, increased occupancy within the portfolio and delivered earnings above upgraded guidance.”

Office portfolio

In our directly held office portfolio, occupancy increased to 92% with a WALE of 6.1 years. This reflects the quality of our tenants, predominately government, listed or large organisations. Our $2.8 billion office portfolio declined by 11.2% on a like-for-like basis, a familiar theme across the property sector, as rental growth has not offset higher capitalisation rates. In FY24, we completed 46,834 square metres of leasing with new lease agreements making up 73% of the total office transactions.

Industrial portfolio

In our directly held industrial portfolio of $1.6 billion, occupancy remained at 100% with a WALE of 4.9 years. Over the financial year, we completed 60,794 square metres of leasing with an average leasing term of six years. Although our industrial portfolio valuations declined by 1.8% on a like-for-like basis, rental growth substantially offset the 60 basis points expansion in capitalisation rates to 6.0%.

Funds management

With managed assets of $1.6 billion, we completed the sale of Taylors House, located in the Sydney CBD fringe, delivering a solid return 11% (internal rate of return) to our fund investors. Our disciplined approach to capital transactions over FY24 has been the right one as we are now well placed to capitalise on attractive opportunities.

Sustainability performance

In FY24 we continued to deliver sustainable outcomes including maintaining high portfolio average NABERS ratings, increasing our GRESB score and procuring 50% of our green power needs. We also issued a further $500 million of sustainability-linked loans, bringing the total to $1.02 billion leading to interest margin reductions.

FY25 outlook

Ross Lees said "Since joining in late May this year, I have visited all 66 assets in our portfolio and spent time listening to our stakeholders. What has stood out is the quality of our portfolio and the strength of our relationships with tenants. Our directly held portfolio of modern office (63%) and industrial assets (37%), with a strong tenant base, is resilient. While our modern office assets make up the majority of the portfolio value, over 20% are located in the best performing office market in Australia, the Brisbane fringe.

We have a solid platform for growth, quality office, industrial and retail assets, strong tenant relationships and promising growth prospects for our funds management business. There are numerous opportunities we are focussing on progressing in the year ahead, including optimising performance, capital allocation and growing our funds under management.

Despite the current economic landscape, we have an exciting future ahead of us. While high vacancy rates in Australian office markets persist, we are optimistic about the medium-term prospects. Strong population growth along with higher construction costs for new buildings should see supply moderate and benefit existing well leased assets.

Commercial real estate transaction activity remains subdued relative to longer-term historical averages, but price discovery across all markets is anticipated to gather momentum in FY25. Industrial markets remain positive with solid rental growth expected as new supply is absorbed due to underlying demand in the logistics sector. We remain confident we can increase occupancy in the office portfolio, continue industrial rent growth and improve performance in the funds management business in FY25."

FY25 guidance

The Group provides FY25 FFO guidance[1] of 22.3 - 23.1 cps and FY25 distribution guidance of 18.2 cps.

A market briefing will be provided at 12pm (AEST) today. To participate in the Q&A session click here to register. To view the live webcast click here to register.

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

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[1] A key assumption to guidance is interest rates, with the Group assuming an average FY25 floating rate of 4.35%.

About Growthpoint

Growthpoint provides space for you and your business to thrive.

Since 2009, we've been investing in high-quality Australian real estate.

Today, we have $6.0 billion total assets under management[2]. We directly own and manage 57 high-quality, modern office and industrial properties, valued at approximately $4.4 billion. We also manage a further nine assets valued at $1.6 billion for third-party wholesale syndicates and institutional investors through our funds management business, which invests in office, retail and mixed-use properties.

We are committed to operating in a sustainable way and reducing our impact on the environment. We are on track to achieve Net Zero by 1 July 2025 across our directly owned 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 300. Moody's has issued us with an investment-grade rating of Baa2 for domestic senior secured debt.

[2] As at 30 June 2024.