

10 May 2010

GPT Meeting of Securityholders

10 May 2010 at 2.00pm

CEO's Address

Good afternoon.

When I started in my role in May 2009 it was clear that investors were disappointed. Since last year's AGM I believe we have made significant progress in stabilising GPT. We ended the year with a business that is clean, transparent and in good shape for the future. Our priority since my appointment has been to restore confidence and trust in GPT.

GPT has made progress on a number of key initiatives that have materially enhanced the Group's position and outlook. It has been a year of reinvigoration and returning the Group to what it does best: owning, managing and developing high quality Australian real estate.

In 2009 we achieved 3.7% growth in operating income, returning to profit in the second half.

We also achieved significant transformation of the organisation, resulting in a simplified business model, strong balance sheet and a clear strategy. GPT has strong organic growth opportunities and an extensive development pipeline. We have achieved global leadership in sustainability, providing a competitive advantage in asset management and development.

As the Chairman outlined, we have a renewed Board, with an enthusiastic and experienced management team, well positioned to deliver superior risk-adjusted returns to you.

The team is proud of its scorecard, with a long list of achievements for 2009:

- GPT's balance sheet has been strengthened;
- we have removed any covenant risk;
- the near term refinancing risk has also been removed;
- our credit ratings have improved;
- there has been significant renewal of the Board and the senior management team;
- we exited the Babcock & Brown Joint Venture;
- we articulated a clear and simple strategy for the future;
- we sold \$1.1 billion of non-core assets;

- we revised our capital management policies; and
- we exceeded our 2009 guidance provided in May last year.

Realised operating income was \$375.8 million for the 12 months. This number was above the guidance provided to you in May last year.

Despite this, write downs in carrying values of properties from a depressed property market resulted in a loss under the financial reporting standards of just over \$1 billion.

The distribution of 4.5 cents per security was in line with the Group's guidance. This was down on the previous year's distribution of 17.7 cents, reflecting poor market conditions, and the issue of 4.8 billion additional securities through the year under the capital raising undertaken in May.

Net Tangible Assets per security reduced to 69 cents, down from \$1.43 at December 2008. While this measure was impacted by reductions in valuations across the real estate sector, the issue of additional securities was the key driver of this change.


As a result of the capital raising undertaken in May, securities on issue more than doubled to over 9.2 billion, creating a much stronger GPT.

The solid performance from the Group's Australian real estate assets shows the resilience of GPT's high quality, diversified domestic Portfolio.

The Group continued to deliver good income growth despite a difficult operating environment during the year. The Retail, Office and Industrial Portfolios achieved comparable income growth of 4.8%, 2.6% and 2.5% respectively.

The Portfolio continued to have high levels of occupancy and there is limited tenant expiry in the near term. Around 80% of the retail, office and industrial portfolio is subject to structured rent increases of approximately 4% in 2010. This provides a solid base for future growth. Details of each Portfolio's performance can be found in the Annual Report.

Streamlining the business was also a priority in 2009. We made a good start on creating a simplified business structure, and reducing our cost base. A major project commenced during the year to install a new computer system which will lead to better information, and cost savings.



In the first three months of this year, the Group continued to perform well. In retail, specialty sales have increased to over \$9,000 per square metre with virtually full occupancy in all of our centres. The Office Portfolio is well occupied with 96% committed space with encouraging signs across the sector. Industrial has solid occupancy at 97%. The Wholesale Office Fund recently purchased a 50% interest in the yet to be constructed premium office building in Sydney, 163 Castlereagh Street, and the Fund has launched a capital raising to fund other future acquisitions.

GPT has received extensive recognition for its commitment to achieving leadership in development and sustainability.

In July, GPT was awarded the Banksia Foundation's Large Business Sustainability Award, which is Australia's most prestigious environmental award.

In September, the Group was named the Dow Jones Sustainability Index World Leader in the Real Estate sector. GPT was also ranked number one in the Global Real Estate Environment Index in January 2010.

GPT continues to expand upon the Group's social investment platform, engaging communities, tenants and employees.

Many investors say to me, winning awards is good, but does it translate into better returns for investors. We can demonstrate benefits such as lower energy costs in our buildings, the ability to attract and retain high profile tenants, and making a genuine difference to the communities that we touch.

On 6 August 2009, I presented the vision for a reinvigorated GPT firmly focused on a future in Australia. The refined strategy, based on active ownership of Australian retail, office and industrial real estate, is aimed at increasing returns to Securityholders. We will capitalise on the Group's competitive advantages of scale, quality, diversity and culture, to improve returns to you over time.

GPT's strategy includes the divestment of its offshore and non-core investments. The strategy builds on the Group's strong track record, whilst leveraging GPT's ability to diversify its capital sources through its successful wholesale funds management business. The strategy reasserts the principles of innovation, excellence and governance established by the late Dick Dusseldorp, the founder of GPT almost 40 years ago.

I'm pleased to say that the Group has now exited the majority of non-core portfolios and offshore positions.



In August, GPT finalised its exit from the European component of its Joint Venture with Babcock & Brown by way of an In Specie dividend to GPT Securityholders. This will ensure that existing investors retain any future value realised out of the European assets of the JV. The disposal of the remainder of the Joint Venture, a US retail portfolio of 16 shopping centres, was achieved in December.

GPT will ultimately sell the other non-core assets, being the Ayers Rock Resort and the US Seniors Housing Portfolio, however the Group's strengthened balance sheet enables GPT to retain these high yielding, high quality assets until market conditions improve.

In addition to the renewal of the Board, and reflecting the needs of a simplified business, a new Chief Financial Officer, Michael O'Brien, was appointed together with a new Group Treasurer and Deputy Chief Financial Officer. These senior management changes, along with a focus on a reinvigorated business model and streamlined organisation design, will benefit GPT as we move ahead with a simpler and more transparent business.


The Group has undertaken a program to connect with its customers and tenants via regular briefings and feedback forums, and implemented an improved performance management and development program to enhance the growth and productivity of GPT employees.

GPT's borrowings reduced from \$5 billion at December 2008 to \$2.2 billion, producing a gearing ratio of 23.5%, well below the Group's covenant level of 40%. At December 2009 the weighted average interest rate across GPT's debt was 6.83% and the weighted average term was 3.3 years. The cost of debt reflects higher interest rates and increased fees from lenders.

In December, GPT finalised a review of its capital management policy and announced the Group would implement revised distribution and gearing policies from 2010 onwards.

This year GPT will distribute an estimated 80% of realised operating income, assuming no material change in market conditions.

After 2010 GPT will distribute the greater of 70–80% of realised operating income, and taxable income. The majority of the leading stocks in the AREIT sector have adopted similar distribution policies.



GPT's approach to development reflects an active ownership model; to drive the maximum performance from each asset and improve the overall quality of the Portfolio. GPT has a pipeline of \$2.4 billion of future opportunities as set out on the slide.

We currently have two large, high quality developments underway; Charlestown Square in the Hunter region and One One One Eagle Street in Brisbane.

We are currently investing around \$220 million per annum on development and we intend to significantly grow this in future years.

The strength of GPT is driven by the quality of the portfolio, the scale and diversity of the business, and the culture and heritage embraced by our people.

We will achieve growth within the core portfolio by capitalising on our strengths to maximise the drivers of value such as high occupancy and strong rental returns.

Over and above that, we have three ways to further lift earnings to deliver superior risk adjusted returns.

Firstly, we have a \$2.4 billion development pipeline.


Secondly, we are actively evaluating opportunities to acquire assets. These will be tested against our strategy with robust risk and financial analysis.

And lastly, in the short term we will focus on achieving benefits from reducing our costs as we continue to downsize the business from what was a complex operation with assets all around the world a year ago, to a simplified model focused on Australia.

The combination of development activity, asset acquisitions, and managing our costs down, will lead to stronger total returns in addition to the returns from the core portfolio we have today.

Over the last few months, property valuations have shown signs of stabilising across Australia and we have seen transactions at the higher end of the market. Business & consumer confidence, and unemployment figures, which are key drivers for the property sector, continue to show resilience.

There is very little supply in the market so as demand returns in 2010, we expect property fundamentals to slowly improve.



While we, like all property Groups, continue to face challenges, the stabilisation of GPT has been an important focus for the Group.

While not providing specific guidance, in 2010 we are targeting to deliver realised operating income above 2009 and a distribution per security of at least three cents (on a pre-consolidation basis), reflecting our new distribution policy.

Ladies and Gentlemen it is pleasing to report that good progress has been made to restore trust and confidence in GPT. We still have a lot of work to do to complete that journey.

In 2009 we achieved solid growth in income and returned to profit in the second half.

We achieved a significant level of transformation in the organisation, resulting in a simplified business model, strong balance sheet and a clear strategy.

We have solid organic growth opportunities and an extensive development pipeline.

Our goal is to maintain our global leadership in sustainability and demonstrate it is a competitive advantage.

With a renewed board, and our enthusiastic and experienced management team, we are well positioned to drive and deliver superior risk-adjusted returns.

Thank you.

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