

15 February 2021

## **GPT announces its 2020 annual result and a second half 2020 distribution of 13.2 cents per security**

### **2020 Overview**

- Net loss after tax of \$213.1 million (2019: Net profit after tax of \$880.0 million), predominantly due to negative property valuation movements of \$712.5 million
- Funds From Operations (FFO) of \$554.7 million and FFO per security of 28.48 cents, down 12.9 per cent on 2019
- Full year distribution of 22.5 cents per security, including a final distribution of 13.2 cents per security for the six months to 31 December 2020, representing a distribution payout of 100 per cent of free cash flow
- Net Tangible Assets of \$5.57 per security
- Portfolio occupancy remains high at 98.4 per cent and net billings collection improved materially in 2H 2020 as COVID-19 restrictions eased and trading activity improved
- Divested the Group's interest in 1 Farrer Place, Sydney for \$584.6 million in line with June 2020 valuation
- Gearing of 23.2 per cent and weighted average debt term of 7.8 years, with liquidity of \$1.8 billion fully funding current commitments through to 2024
- S&P A/stable and Moody's A2/stable credit ratings maintained
- Ranked second most sustainable real estate company in the world in the Dow Jones Sustainability Index and achieved maximum 5 star ESG rating from GRESB
- Logistics portfolio valued at \$3.0 billion including 165,100 square metres of additional logistics space added through developments and acquisitions
- Established \$800 million Logistics capital partnership with QuadReal Property Group

The GPT Group ('GPT' or 'Group') delivered FFO of \$554.7 million for the 12 months to 31 December 2020, a decrease of 9.6 per cent on the prior year. FFO per security was 28.48 cents, a decrease of 12.9 per cent on the prior year. The Group reported a net loss after tax of \$213.1 million, compared to a net profit after tax of \$880.0 million in 2019, predominantly due to negative property valuation movements of \$712.5 million.

The impacts of COVID-19 have resulted in lower net operating income, reflecting the rent relief provided to tenants, and a material reduction in the valuation of the Retail portfolio. Consistent with the mandatory Code of Conduct for commercial tenancies, the Group provided rent waivers to tenants who were impacted as a result of the government imposed restrictions. Rent waivers and provisions for uncollected rent for 2020 totalled \$95.3 million.

GPT's Chief Executive Officer, Bob Johnston, said: "The effects of the COVID-19 pandemic resulted in a challenging year for the Group. We commenced 2020 with strong momentum and the expectation of delivering earnings and distribution growth. However, the onset of COVID-19 rapidly changed the operating landscape and we had to adapt our approach swiftly. The Group responded well to the uncertainty and evolving challenges, maintaining a strong focus on working with our customers to help them operate successfully and safely through the pandemic, whilst continuing to execute on strategy and positioning the business to benefit from the emerging economic recovery."

All assets in GPT's portfolio were independently revalued<sup>1</sup> as at 31 December 2020. The value of the Group's diversified portfolio declined 4.8 per cent for the full year.

## Office

GPT's portfolio of high quality Office assets continued to deliver strong results for the Group. Segment contribution was \$281.9 million, up 2.0 per cent on 2019. As at 31 December 2020, the portfolio has a weighted average lease expiry (WALE) of 5.1 years and occupancy of 94.9 per cent.<sup>2</sup>

Despite government restrictions and subdued leasing conditions, the Group concluded 99,600 square metres of signed leases across the portfolio in 2020, with an additional 26,500 square metres under Heads of Agreement (HoA). In the second half of the year, leasing volumes improved, with the number of HoA executed doubling from the first half of the year.

Mr Johnston said: "The Group's Office portfolio has remained resilient, with strong net billings collection outcomes reflecting the quality of our assets and the diversification of our tenant base. The volume of leasing activity, in spite of softer leasing conditions, is testament to the exceptional quality of GPT's portfolio. Vacancy rates in the major office markets increased materially during 2020 which will result in a decline in effective rents for new leasing deals during 2021. We expect that tenants will retain a preference for quality buildings, with superior amenity and customer centric managers."

All Office assets were independently revalued as at 31 December 2020, resulting in a valuation decline of 1.2 per cent or \$73.8 million over the year and a weighted average capitalisation rate (WACR) of 4.89 per cent.

The development at 32 Smith in Parramatta features a 6 Star Green Star – Design rating, reached practical completion in January 2021. Featuring 26,900 square metres of prime office space, the asset is now 70 per cent leased including HoA, with QBE as its anchor tenant. 32 Smith has an expected end value of more than \$330 million.

GPT divested the Group's interest in 1 Farrer Place, Sydney in line with its June 2020 valuation of \$584.6 million in December 2020. The asset delivered an average total return of 12 per cent per annum over the past five years. The proceeds from the sale are being reinvested into new opportunities, particularly the Group's Logistics development pipeline.

During the period, the Group continued to progress a number of development opportunities. The Queen & Collins project in Melbourne being redeveloped for the GPT Wholesale Office Fund (GWOFF), is expected to be completed in May 2021, and is currently approximately 20 per cent leased including HoA.

GPT is advancing six office projects through planning ahead of the next market cycle, which are expected to have a value of approximately \$3.5 billion on completion.

## Logistics

GPT's Logistics portfolio delivered outstanding results in 2020, with a segment contribution of \$139.4 million, up 15.2 per cent, and comparable income growth of 3.1 per cent. The portfolio has high occupancy of 99.8 per cent and a long WALE of 6.7 years.

All Logistics assets were independently revalued as at 31 December 2020, resulting in a valuation uplift of 9.3 per cent or \$227.8 million over the year, and a WACR of 4.84 per cent. Valuations were supported by strong investor demand and transaction evidence.

In 2020, the logistics portfolio increased by \$542.5 million to \$3 billion, including the 165,100 square metres of logistics space added during the year through development and acquisitions.

<sup>1</sup> Excludes assets held for sale or acquired in the period.

<sup>2</sup> Excludes assets under or held for development.

Four developments with an end value totalling \$195 million were completed in 2020, delivering a yield on cost of 5.8 per cent. Following the completion of three projects in the first half, a 50,200 square metre facility in Penrith was completed in September 2020. The asset is valued at \$94 million and leased to Visy for a 10 year term. Early in 2021, 42 Cox Place in Glendenning reached practical completion, and the Group is in advanced negotiations with a number of prospective occupiers. This growth momentum for GPT is set to continue with four developments due for completion in the second half of 2021.

When combined with the pipeline of development projects currently underway, the Group has the opportunity to deliver more than 600,000 square metres of prime logistics facilities with an estimated end value on completion of approximately \$1 billion.

## **Retail**

Government restrictions and the mandatory Code of Conduct in response to COVID-19, heavily impacted the performance of shopping centres in 2020.

The segment contribution was down 30.8 per cent to \$225.7 million for the 12 months to December 2020, predominantly as a result of rent waivers and provisions.

In addition to the impacts of the Code of Conduct, the implications of restrictions imposed in Victoria from July to November 2020 weighed heavily on the Group's Retail portfolio performance. With the exception of Melbourne Central, which is in the heart of the Melbourne CBD, there was a strong rebound of customer visitations to the Group's shopping centres once restrictions were eased and customers were able to return back to GPT's assets.

Excluding Melbourne Central, customer visitation numbers in December 2020 were approximately 95 per cent of December 2019 levels. Solid sales growth was evident following the easing of restrictions, indicating that people were very keen to return to shopping centres.

The recovery of Melbourne Central is likely to lag the Group's other retail assets given that the return of office workers to the CBD has only just commenced and it is unlikely that the borders will reopen for international tourists and students in the near future.

Approximately 400 leasing deals were completed during the year, with an average negative leasing spread of 14.1 per cent reflecting the challenging leasing environment. New leasing deals were secured with an average annual fixed increase of 4.3 per cent and lease term of four years. Portfolio occupancy at 31 December 2020 was 98.0 per cent.

All Retail assets were independently revalued as at 31 December 2020, resulting in a valuation decline of 13.7 per cent or \$866.5 million over the year and WACR of 5.06 per cent.

Mr Johnston said: "It was very pleasing to see customer traffic at our shopping centres returning to near pre-pandemic levels once restrictions were lifted. Solid growth in sales for the November and December 2020 period, coupled with recovery in employment and an elevated savings rate, should see retail sales continue to improve through the course of 2021."

## **Funds Management**

The segment contribution from GPT's Funds Management business was up 1.9 per cent on the prior year to \$47.2 million. Consisting of GWOFF and GPT Wholesale Shopping Centre Fund (GWSCF), with assets of \$9.0 billion and \$3.9 billion respectively, the platform has significant scale with \$12.9 billion in assets under management.

During the period, GWOFF raised \$339.1 million through an equity raising and its Distribution Reinvestment Plan.

GWOFF expanded its development pipeline, following the acquisition of a Parramatta CBD site, and has debt capacity of more than \$1 billion to fund future development and acquisition opportunities.

GWOF and GWSCF retained their 5 star ESG ratings from GRESB. In December 2020, GWOF also achieved carbon neutral certification for its operating assets.

### **GPT QuadReal Logistics Trust**

GPT announced today that it has entered into a capital partnership with Canadian real estate firm QuadReal Property Group to establish the GPT QuadReal Logistics Trust. The 50:50 joint venture has an objective to acquire and develop a high quality portfolio of Australian prime logistics assets, with a targeted investment of \$800 million. GPT will provide development and management services to the partnership. This partnership is consistent with GPT's strategy to grow its position in the logistics sector and also to expand its Funds Management platform.

Mr Johnston said: "Growth of our Logistics portfolio is a core focus for GPT and we have made strong progress in securing development and investment opportunities in the sector. The logistics market continues to benefit from structural tailwinds driven by growth in e-commerce, food and pharmaceuticals distribution and the recovery in the housing market. GPT is delighted to be building a significant capital partnership with QuadReal that will leverage GPT's brand and track record in the sector to create value for both parties."

### **Sustainability**

Mr Johnston said: "Recognising the importance of continued action to address climate change, in August 2020 GPT announced a target to achieve carbon neutral operations across all managed assets by 2024."

GPT continued to be recognised as a sustainability leader in the GRESB real estate assessment, achieving a 5 star rating, and Dow Jones Sustainability Index, ranking second most sustainable real estate company globally. Additional recent achievements in sustainability by GPT include:

- Second Climate Disclosure Statement, prepared in accordance with the Task Force on Climate-related Financial Disclosures (TCFD), released in February 2021
- Human Rights Statement released in June 2020, and
- Inaugural Modern Slavery Statement released in December 2020.

### **Distribution for the six months to 31 December 2020**

The Board of GPT has declared a distribution for the six months to 31 December 2020 of 13.20 cents per security. This takes the 2020 full year distribution to 22.50 cents per security, which represents a distribution payout of 100 per cent of free cash flow.

The 2020 final distribution payment will be made in accordance with the following timetable:

- Ex-distribution date: 18 February 2021
- Record date: 19 February 2021
- Payment date: 26 February 2021

### **On-market security buy-back**

GPT today announced an on-market buy-back of up to 5% of GPT's ordinary securities on issue. The Group maintains a disciplined approach to capital management and has significant capacity to fund the security buy-back and invest in strategic growth opportunities.

Refer to GPT's Appendix 3C lodged with the ASX today for further information in respect of the on-market security buy-back.

## 2021 Outlook

Mr Johnston said: “While acknowledging there continues to be a high level of uncertainty in our operating environment, we are optimistic about the outlook for 2021. Following the lifting of COVID-19 restrictions and the planned rollout of vaccines gaining momentum, we expect the potential risk of disruption to operations to reduce over the course of 2021, particularly in the second half.

“Favourable economic indicators such as strong consumer confidence, robust jobs growth, high household savings rates and a more buoyant housing market are strong indicators of a solid economic recovery.

“However, the path of the recovery may be uneven and disrupted by unexpected events and the differing approaches taken by each state government. Melbourne’s CBD in particular is currently lagging in its recovery when compared to Sydney and this will have a bearing on the recovery of assets like Melbourne Central. The Group has strong conviction that Melbourne Central will recover and once again be a key destination.”

Due to the uncertain operating conditions, GPT is not providing earnings and distribution guidance for 2021 at this time. Trading conditions will continue to be monitored and GPT currently expects to provide 2021 earnings and distribution guidance with the release of its March 2021 Quarter Operational Update.

## Market Briefing

GPT will conduct a market briefing at 10.00am (AEDT) today, 15 February 2021, which can be accessed via teleconference, or webcast via the GPT website ([here](#)).

### Teleconference details

Conference ID: 10011163

Australia dial in: 1800 739 591

International dial in: +61 7 3145 4057

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Authorised for release by The GPT Group Board.