

# ASX Announcement

19 February 2024

## GPT delivers full year 2023 NPAT of **-\$240.0 million** and Funds From Operations of **\$600.9 million**

The GPT Group ('GPT' or 'Group') is pleased to announce its results for the 12 months to 31 December 2023.

### 2023 Overview

- Net profit after tax (NPAT) of **-\$240.0 million** (2022: \$469.3 million), with the decline predominantly due to investment property revaluations of **-\$819.0 million** (2022: **-\$159.3 million**)
- Funds From Operations (FFO) of **\$600.9 million** (2022: \$620.6 million) and FFO per security of **31.37 cents** (2022: 32.40 cents) in line with guidance
- Full year distribution of **25.0 cents per security** (2022: 25.0 cents per security), including a distribution of **12.5 cents per security** for the six months to 31 December 2023
- Net Tangible Assets per security of **\$5.61** (2022: \$5.98)
- 5.7% comparable portfolio income growth
- Gearing of 28.3%, liquidity of \$1.5 billion, and a weighted average debt term of 5.9 years
- GPT commenced investment management of the 5,000 bed QuadReal Student Accommodation portfolio in 4Q 2023
- Commonwealth Superannuation Corporation (CSC) selected GPT as investment manager of a portfolio of real estate assets, with transition expected in 2Q 2024
- Russell Proutt to commence as Chief Executive Officer on 1 March 2024

GPT's Chief Executive Officer, Bob Johnston, said: "The Group has delivered a solid result for the year. FFO and distributions per security were in line with guidance provided at the beginning of the period, however a softening in valuation investment metrics resulted in a 5.1% decline in the valuation of GPT's investment portfolio.

"Our Retail portfolio delivered excellent results in 2023, boosted by the strong performance of Melbourne Central, GPT's largest retail asset. The Group achieved positive leasing spreads and retained high occupancy across the Retail portfolio reflecting the demand from retailers for space in high quality assets.

“Despite the challenging office leasing market, the Group completed over 130,000 square metres of leasing during the year, resulting in Office portfolio occupancy including Heads of Agreement increasing to 92.3% at year end. The office market remains challenging given the changes in work practices including remote working, elevated market vacancy and new supply.

“GPT’s Logistics portfolio delivered strong results for the period with leasing spreads of nearly 40% and occupancy at year end of 99.5% including Heads of Agreement. Five developments were completed during the period, adding over 111,000 square metres of prime grade assets to the portfolio.

“The Funds Management platform continues to expand. In October, investment management of QuadReal’s Student Accommodation portfolio transitioned to GPT and CSC recently selected GPT as the investment manager of a portfolio comprising office and retail assets. These new mandates provide further scale and operating leverage for our real estate platform and are a strong endorsement of the Group’s capabilities and governance framework.”

## **Retail**

Retail portfolio occupancy was 99.8% at 31 December 2023 (2022: 99.4%), with strong leasing activity resulting in 678 lease deals being achieved during the year. Deals completed had an average annual rental increase of 4.8% and an average lease term of 5.2 years. Leasing spreads on expiry continued to increase, averaging 5.3% for the period. Retail portfolio comparable income growth for 2023 was 12.5%.

Total Centre sales were up 7.4% and Total Specialty sales were up 6.1% for the 12 months to 31 December 2023 compared to 2022. Specialty sales productivity for the portfolio was \$12,824 per square metre (sqm) at 31 December 2023 (2022: \$12,232 per sqm).

Melbourne Central achieved record Total Centre Moving Annual Turnover (MAT) of \$612 million and Total Specialty sales productivity of \$15,988 per sqm at 31 December 2023. The centre remains one of the country’s leading retail destinations with strong leasing demand attracting first to market retailers and flagship stores.

The Retail portfolio was independently valued at year end, resulting in a valuation decline of \$178.7 million or 3.1% for the 12 months to 31 December 2023. The Weighted Average Capitalisation Rate (WACR) increased 40 basis points to 5.43% (2022: 5.03%).

## Office

Office portfolio occupancy including Heads of Agreement (HoA) of 92.3% was achieved at 31 December 2023 (2022: 88.5%), with a weighted average lease expiry (WALE) of 4.7 years. During the year, 133,800sqm<sup>1</sup> of space was leased across 167 deals, with an average lease term of 5.1 years. Office portfolio comparable income for 2023 declined 0.8% due to lower average occupancy.

The office leasing market remains highly competitive and hybrid work practices are being adopted by many organisations in response to the demand for greater workplace flexibility. Despite the challenging conditions, GPT's Office portfolio resonates well with tenants given its high quality, strong sustainability credentials, and a differentiated product offering which caters to the workplace needs of a variety of customer segments.

GPT's Office portfolio has an average NABERS Energy rating of 5.1 stars and all assets are certified carbon neutral<sup>2</sup>. The portfolio achieved a Net Promoter Score (NPS) of 73, recognising the high level of customer satisfaction with the experience-led workplace solutions provided in all GPT-managed buildings.

The Office portfolio was independently valued at year end, resulting in a valuation decline of \$555.8 million or 9.2% for the 12 months to 31 December 2023. The WACR increased 46 basis points to 5.49% (2022: 5.03%).

## Logistics

Logistics portfolio occupancy (including HoA) of 99.5% was achieved at 31 December 2023 (2022: 99.8%), with a WALE of 5.4 years. Leasing of 168,000sqm (including HoA) was completed during the year, with leasing spreads averaging 39%. Logistics portfolio comparable income growth was 5.5% for the year.

Market vacancy remains tight at 0.5% in Sydney, 1.6% in Melbourne and 1.4% in Brisbane. These conditions have resulted in double-digit market rental growth being recorded in 2023. Market gross take-up across Eastern states of 2.2 million sqm has normalised to the 10-year average (2.4 million sqm), with Transport/Postal occupiers the most active user group.

Five developments reached completion in Melbourne and Brisbane, with a combined value of \$259.3 million<sup>3</sup>. The Group's future development pipeline has an estimated end value of \$2.0 billion<sup>3</sup>, including key estates in Sydney's west and Melbourne's west and north.

---

<sup>1</sup> Includes signed leases and Heads of Agreement based on GPT and GPT Wholesale Office Fund (GWOF) ownership Net Lettable Area.

<sup>2</sup> GPT and GWOF operational office assets. Excludes assets under or held for development or assets under the operational control of the tenant.

<sup>3</sup> Assets under management, inclusive of GPT QuadReal Logistics Trust.

Five non-core assets were divested in the period, resulting in net sale proceeds of \$399.3 million. In addition, the Group has commenced a divestment campaign for its 50% stake in Austrak Business Park in Melbourne, valued at approximately \$300 million.

The GPT QuadReal Logistics Trust has assets under management of \$0.6 billion (2022: \$0.5 billion), with three of the 2023 development completions within the partnership (GPT share 50.1%).

The Logistics portfolio was independently valued at year end, resulting in a valuation decline of \$84.7 million or 1.9% for the 12 months to 31 December 2023. The WACR increased 86 basis points to 5.26% (2022: 4.40%).

### **Sustainability**

As part of delivering on its Net Zero Plan, GPT achieved carbon neutrality for all material emissions sources (including Scope 1, 2 and 3) under its operational control during the year and the Group remains on track for all its managed Office and Retail assets to be Climate Active Carbon Neutral (for Buildings) certified by December 2024.

Recognising the global threat posed by climate change and the decline in nature, the Group today released its first integrated Climate and Nature Disclosure Statement. The Statement provides further details of the steps GPT is taking to identify, assess and manage climate and nature-related risks and opportunities, including work being done to deliver its Net Zero Plan.

### **Capital Management**

The Group had \$1.5 billion of available liquidity at 31 December 2023 and a weighted average debt term of 5.9 years. The Group's weighted average cost of debt in 2023 was 4.7% and this is expected to increase to 5.2% in 2024 reflecting the increase in interest rates and the roll off of historic interest rate hedges. GPT remains within its stated gearing range of 25% to 35%, with net gearing of 28.3%. GPT has credit ratings of A-(stable) and A2 (stable) by S&P and Moody's respectively.

### **Distribution for the six months to 31 December 2023**

The Board of GPT has declared a distribution for the six months to 31 December 2023 of 12.5 cents per security. The distribution payment will be made on 29 February 2024.

### **Outlook**

While the full impact of the Reserve Bank of Australia's aggressive rate rise cycle of the past 12 months is yet to fully flow through the economy, it appears interest rates may now have peaked, with consumption slowing and inflation trending lower.

GPT's Retail portfolio has achieved excellent leasing outcomes, strong tenant demand and high sales productivity during the period. With centres at high occupancy and forecast new market supply of retail floorspace at relatively low levels, the Group expects

tenant demand for quality assets will continue to drive positive leasing outcomes and growth in 2024 across the Retail portfolio.

For the Office portfolio, market conditions are likely to remain challenging due to elevated market vacancy and subdued demand. While 11% of the portfolio expires in 2024, the Group is targeting the Office portfolio to deliver a 2024 net income result in line with 2023.

Incentives from Office leasing deals completed in 2023 combined with further deals expected to complete this year will mean a step up in Office leasing capital in 2024. Higher incentives will also impact GWOF. As part of its capital management considerations, the payout ratio for GWOF has been reduced from 90% of FFO to 60% of FFO which impacts GPT's free cash flow and distribution.

GPT's Logistics portfolio is well placed, with low market vacancy and continued tenant demand. Market supply of new stock is expected to increase in coming years, although the pace of delivery is anticipated to be tempered by the timing of authority approvals. These conditions provide opportunity for the Group to access higher rents in the coming period, with a third of the Logistics portfolio expiring over the next three years, and through the build out of the development pipeline.

## **2024 Guidance**

GPT expects to deliver 2024 FFO of approximately 32.0 cents per security and a distribution of 24.0 cents per security.

Net income growth across the diversified portfolio is expected to be offset by higher interest costs. Trading profits from contracted sales at Sydney Olympic Park are expected to contribute circa 4% to FFO, which is higher than the historical average. The 2024 distribution is expected to be lower than 2023, impacted by higher Office lease incentives and a lower distribution payout ratio from GWOF.

## **Market Briefing**

GPT will conduct a market briefing at 10.30am (AEST) today, 19 February 2024, which will be webcast via GPT's website [www.gpt.com.au](http://www.gpt.com.au). Additional detail on GPT's 2023 Annual Result is available in the associated Annual Report, Presentation, Data Pack and Property Compendium released to the ASX today and available at [www.gpt.com.au](http://www.gpt.com.au)

-ENDS-

Authorised for release by The GPT Group Board.

For more information, please contact:

### **Investors**

Penny Berger  
Head of Investor Relations & Corporate Affairs  
+61 402 079 955

### **Media**

Grant Taylor  
Group External Communications Manager  
+61 403 772 123