



# 2017

## ANNUAL RESULT

13 February 2018

# AGENDA



Annual Result 2017

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# 2017 Annual Result Highlights

## Key Outcomes in 2017

3.0%	5.1%	15.2%	\$5.04	24.4%
Growth in Funds From Operations per security	Growth in Distribution per security	Total Return	Net Tangible Assets per security	Net gearing

## Group highlights in 2017

- Group Assets Under Management increased 12% to \$21.5 billion
- NTA per security growth of 9.8%
- Interest rate hedging increased to 76% for 2018
- Active capital management to maintain strong balance sheet

# Progressing strategic priorities

## Business Outcomes

4.4%	\$718M	96.8%	5.2YRS	5.27%	\$12.0B
Portfolio like for like income growth	Valuation uplift	Total portfolio occupancy	Weighted Average Lease Expiry	Weighted Average Cap Rate	Funds Under Management

### INVESTMENT PORTFOLIO & OPERATIONS

- Office portfolio continues to deliver outperformance
- Resilient Retail portfolio delivered 3.8% income growth
- Completion of GWSCF terms renewal and liquidity review
  - Increased investment in GWSCF
- GWSCF acquired the remaining 25 per cent stake in Highpoint Shopping Centre for \$680 million
- Record leasing volumes in Office and Logistics

### DEVELOPMENT

- Development pipeline continues to be a focus and a source of new investment assets for the Group
- 32 Smith Street, Parramatta, office development expected to commence in 2H 2018
- 4 Murray Rose Ave, Sydney Olympic Park, on track for completion in Q4 2018
- Successful lease-up of logistics development assets
- Alternate options for Rouse Hill Town Centre expansion continue to be explored

# FINANCE & TREASURY






Annual Result 2017

# Financial Summary

12 MONTHS TO 31 DECEMBER (\$ MILLION)	2017	2016	CHANGE
<b>Funds From Operations (FFO)</b>	<b>554.2</b>	<b>537.0</b>	⬆️ 3.2%
Valuation increases	717.7	611.6	
Treasury items marked to market	(2.9)	(23.0)	
Other items	0.1	27.1	
<b>Net Profit After Tax (NPAT)</b>	<b>1,269.1</b>	<b>1,152.7</b>	⬆️ 10.1%
<b>Funds From Operations per stapled security (cps)</b>	<b>30.77</b>	<b>29.88</b>	⬆️ 3.0%
<b>Funds From Operations (FFO)</b>	<b>554.2</b>	<b>537.0</b>	
Maintenance capex	(54.4)	(45.4)	
Lease incentives	(53.5)	(70.1)	
<b>Adjusted Funds From Operations (AFFO)</b>	<b>446.3</b>	<b>421.5</b>	⬆️ 5.9%
<b>Distribution per stapled security (cps)</b>	<b>24.6</b>	<b>23.4</b>	⬆️ 5.1%

# Segment Result

12 MONTHS TO 31 DECEMBER (\$ MILLION)	2017	2016	CHANGE
Retail	318.4	294.1	
Office	248.9	225.0	
Logistics	94.0	95.4	
Funds Management	37.0	61.0	
<b>Net Income</b>	<b>698.3</b>	<b>675.5</b>	 3.4%
Net interest expense	(102.4)	(100.0)	
Corporate overheads	(30.6)	(29.8)	
Tax expense	(11.1)	(14.0)	
<b>Corporate</b>	<b>(144.1)</b>	<b>(143.8)</b>	 0.2%
Non-core income	-	5.3	
<b>Funds From Operations</b>	<b>554.2</b>	<b>537.0</b>	 3.2%

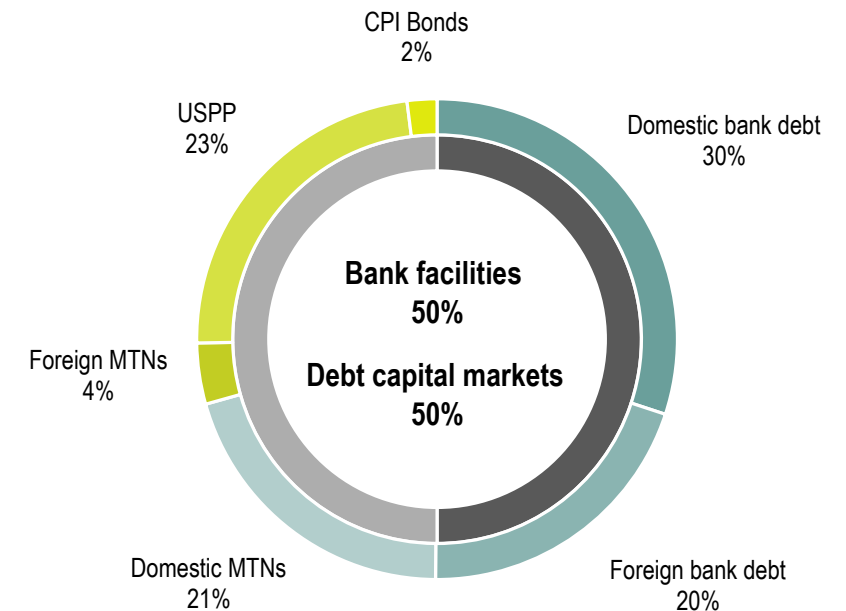
# Capital Management



- Raised A\$400 million in a US Private Placement (USPP) debt issue
- Moody's upgraded GPT's long term credit rating to A2
- Half of all financing now sourced from debt capital markets, enhancing term to maturity

KEY STATISTICS	DEC 2017	DEC 2016
Net tangible assets per security	\$5.04	\$4.59
Net gearing	24.4%	23.7%
Weighted average cost of debt	4.20%	4.25%
Weighted average term to maturity	7.1 years	6.5 years
Interest cover ratio	6.5x	6.4x
Credit ratings (S&P / Moody's)	A / A2	A / A3
Weighted average term of hedging	4.8 years	4.4 years
Drawn debt hedging	76%	57%

Sources of Financing Facilities





RETAIL

**GPT**  
The GPT Group

Annual Result 2017



# Retail Highlights

## Key Portfolio Statistics

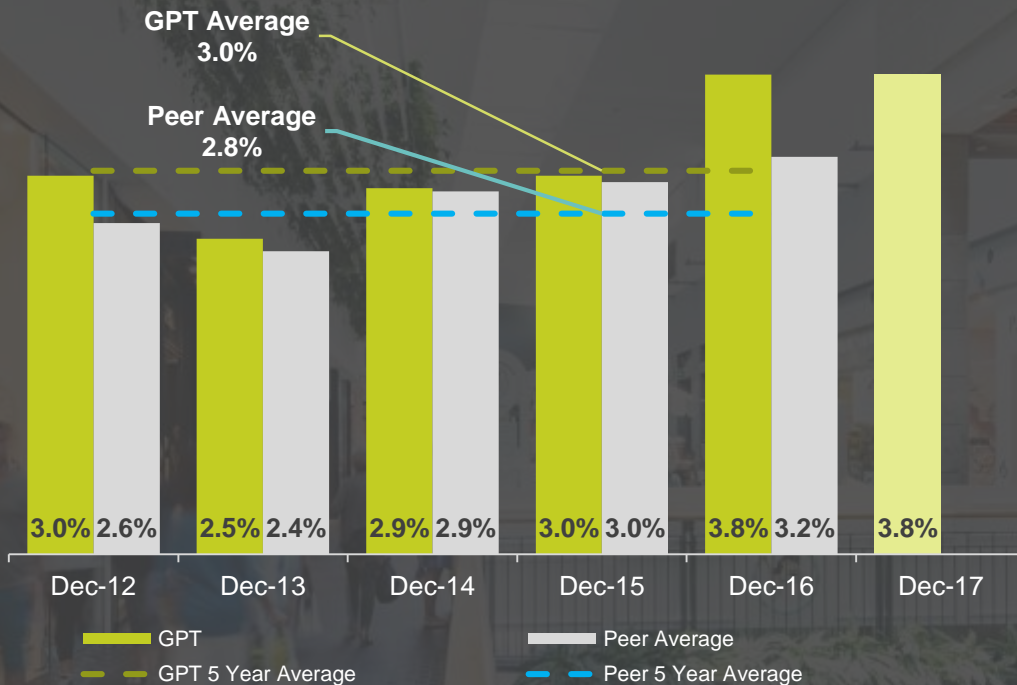
3.8%	2.2%	\$11,185	99.6%	\$281.4M	5.10%
Portfolio like for like income growth	Comparable specialty sales growth per sqm	Specialty sales productivity per sqm	Total portfolio occupancy	Valuation uplift	Weighted Average Cap Rate

- Total Portfolio Return of 11.1%
- Property Net Income growth driven by fixed rental increases and the strong performance of the portfolio
- Valuation gains due to solid income growth and metric compression
- Increased investment in GWSCF, co-ownership stake at 28.8%

RETAIL FINANCIAL HIGHLIGHTS (\$M)	2017	2016	CHANGE
Operations Net Income	313.1	288.3	8.6%
Development Net Income	5.3	5.8	(8.6%)
<b>Segment Result</b>	<b>318.4</b>	<b>294.1</b>	<b>8.3%</b>

# Retail Portfolio

GPT's portfolio has delivered average like-for-like NOI growth of 3.0% over the five years to December 2016



MELBOURNE CENTRAL



HIGHPOINT



CHARLESTOWN

- 2017 Total Return 12.3%
- 100% occupancy
- Re-investment of \$17m in asset enhancement capital in 2017

- 2017 Total Return 20.9%
- Over \$1 billion MAT sales
- Re-mixing introducing 3 international retailers in 2017 forecast to contribute \$35m in sales

- 2017 Total Return 9.2%
- Specialty sales productivity of \$12,616psm (+6.5% growth)

# Retail Sales

**1.7%**  
Total Centre  
MAT  
Growth

**\$11,185**  
Specialty Sales  
per sqm

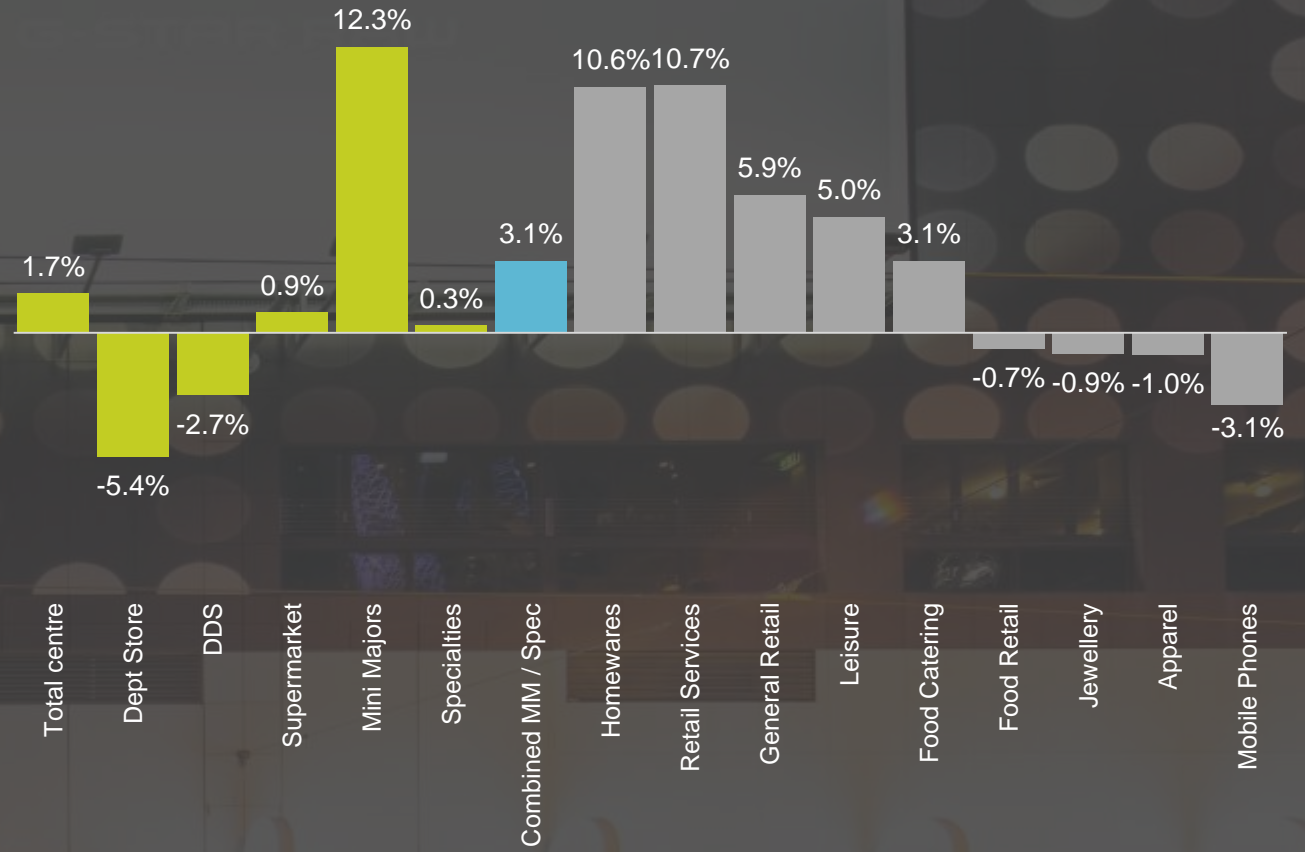
**2.2%**  
Comparable  
Specialty per sqm  
Growth

**3.1%**  
Combined  
MAT  
Growth

**12.3%**  
Mini Major  
MAT Growth

**0.3%**  
Specialty  
MAT Growth

## PORTFOLIO MAT GROWTH BY CATEGORY



Excludes development impacted centres - Sunshine Plaza, Macarthur Square, and Wollongong Central.

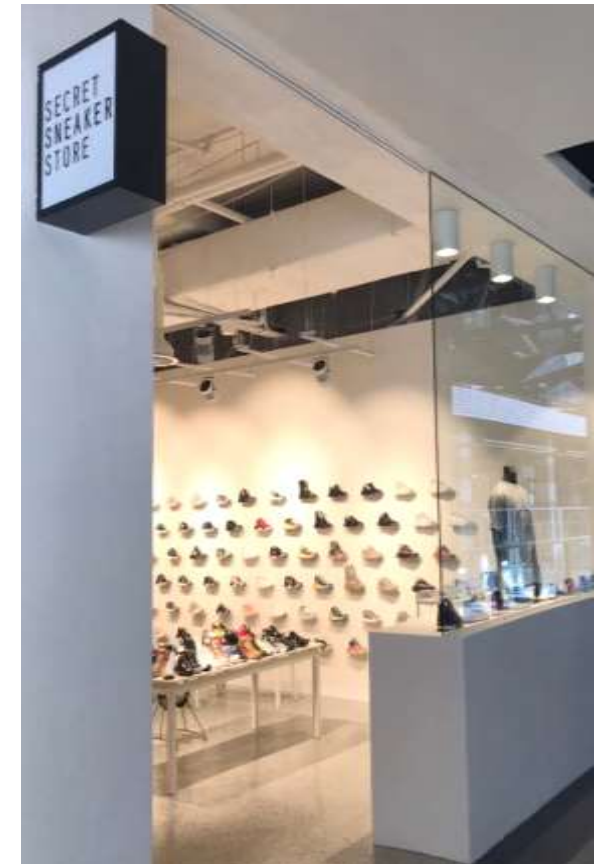
# Retail Leasing

- High quality portfolio proving to be resilient in a more challenging leasing market
- Portfolio occupancy remains high at 99.6% and holdovers have reduced to 6.6% of specialty expiry rent
- Continue to transition into retail growth categories, focussing on first to market, unique retail concepts and bringing online into physical stores

## PORTFOLIO LEASING STATISTICS

	2017	2016
Specialty Deal Count	402	504
– Avg. Annual Fixed Increase	4.7%	4.8%
– Avg. Lease Term	4.7 years	4.7 years
Leasing Spread	(1.2%)	0.3%
Retention Rate	74%	75%
Portfolio Occupancy	99.6%	99.6%
Specialty Rent - % of Income Expiring	19.3%	19.6%
Specialty WALE	2.9 years	2.8 years
Specialty Occupancy Cost	17.1%	16.9%

Statistics exclude development impacted centres; holdovers



# Evolving the Retail Mix to meet changes in consumption

## HOUSEHOLD CONSUMPTION (ABS)



3.5%

Discretionary

5 year per annum growth



4.6%

Services

5 year per annum growth

4.6%

Essentials

5 year per annum growth

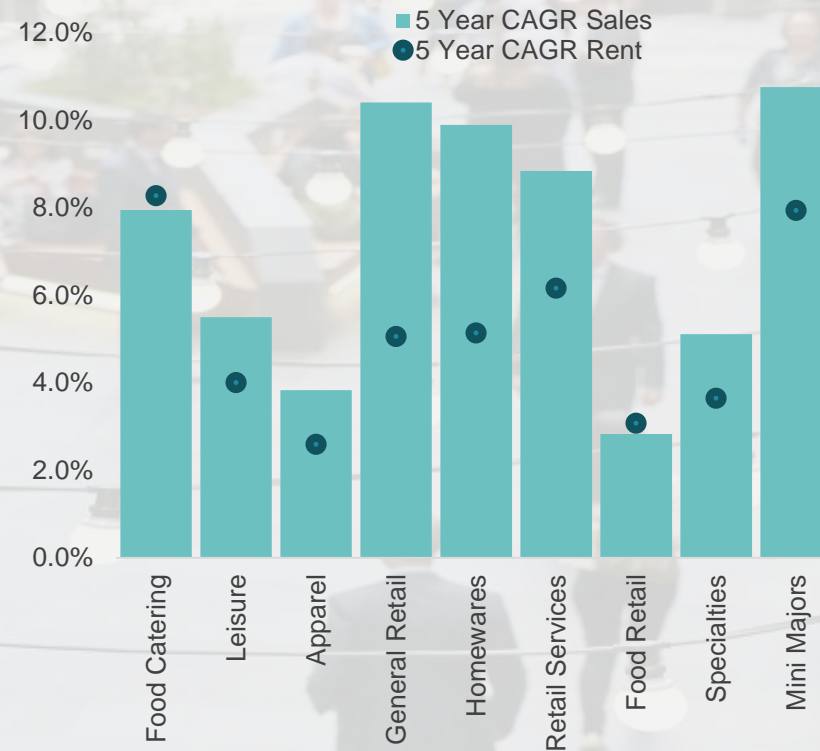
3.4%

Goods

5 year per annum growth

## GPT PORTFOLIO RETAIL SHIFT (5 YEAR CAGR)

### COMBINED SPECIALTIES & MINI MAJORS



Portfolio performance remains sustainable given the active remixing towards growth categories

**Sales CAGR**  
6.4%

**Rental CAGR**  
4.2%

# Sharing Data Insights to Drive Market Share and Performance

## DRIVING MARKET SHARE



**Sharing Data Insights**  
with our retail partners to drive sales and productivity



**Using Data and Technology**  
to create a personalised and seamless shopping experience for our customers

## SHARING DATA INSIGHTS



MECCA

supré

Typo



BODY



COTTON:ON

HOYTS

## PARTNERSHIPS FOCUSED ON UTILISING MULTIPLE DIGITAL PLATFORMS

### PARTNERING WITH RETAILERS - COTTON ON



- Long term strategic partnership with the Cotton On Group
- Sharing our data; Cotton On SKU data, GPT traffic and database segment insights
- Combining data sources to analyse and understand conversion, mall and in-store behaviour

### OUTCOME

Partnership to trial and test customised campaigns to influence spend and drive productivity

### LEVERAGING NEW PLATFORMS - AFTERPAY



- First to market property partnership with the afterpay payment platform
- Targeted campaign focused on fashion forward millennial market
- Utilised all partners digital platforms to drive visitation to Glue and adoption of afterpay

### OUTCOME

AFTERPAY result +70% utilisation

GLUE result +33% sales

# Retail Development

## SUNSHINE PLAZA

- \$420m retail expansion (100% interest)
- Q4 2018 completion
- Specialty leasing program 35% complete
- Flagship International and National brands secured
- Forecasting incremental stabilised yield greater than 6%



### DEVELOPMENT ACTIVITY

### TOTAL COST

#### Current Developments

Sunshine (100%)	\$420m
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#### Future Developments

Rouse Hill	\$200m
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Melbourne Central	\$50m
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Casuarina (100%)	\$80m
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# Retail Market Outlook

## AUSTRALIAN RETAIL SALES

## GPT PORTFOLIO

### MEDIUM TERM OUTLOOK

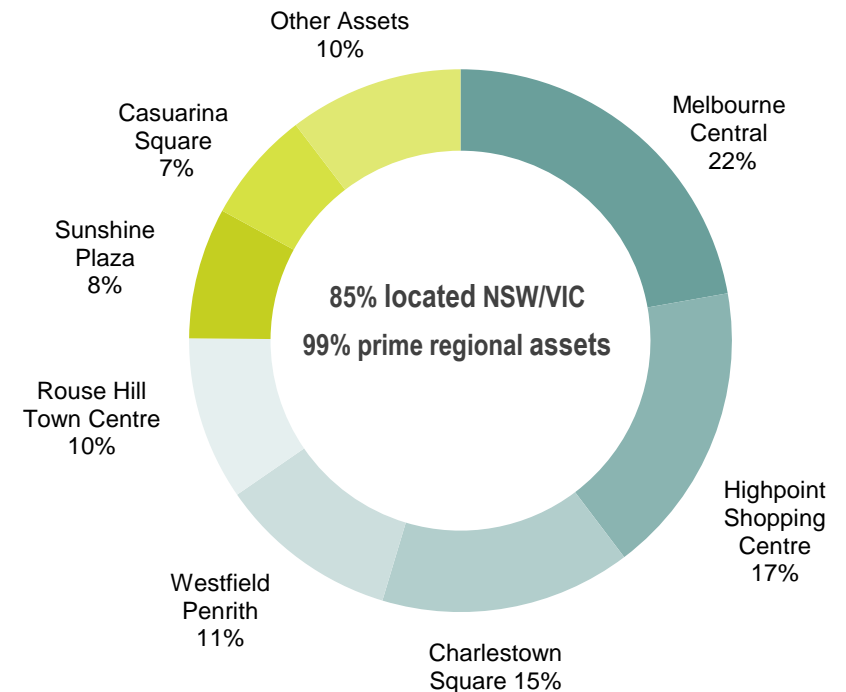
- + **ONLINE SALES GROWTH TO CONTINUE** though physical stores forecast to represent ~90% of retail sales over the medium term
- + **EMPLOYMENT GROWTH** forecast at +3.3% in 2017<sup>1</sup>, reflecting a tightening labour market, and improving business and consumer confidence
- + **MODERATING HOUSE PRICE GROWTH** coupled with increases in household costs may constrain consumer spending in the short term

### LONGER TERM OUTLOOK

- + **DELOITTE ACCESS ECONOMICS** forecast retail sales growth of +4.3% over the next 10 years
- + **POPULATION GROWTH** forecast of +1.4% per annum over the next 10 years

1. Source: ABS

- + **PORTFOLIO IS WELL POSITIONED**
- + **HIGHLY PRODUCTIVE PORTFOLIO**
- + **CONTINUE TO REMIX CENTRES**



A modern office interior with large windows overlooking a city skyline. The space features several tables and chairs, including two black leather armchairs in the foreground and several office chairs around tables in the background. The ceiling has exposed ductwork and modern lighting fixtures. A colorful patterned rug is on the floor.

OFFICE



Annual Result 2017

# Office Highlights

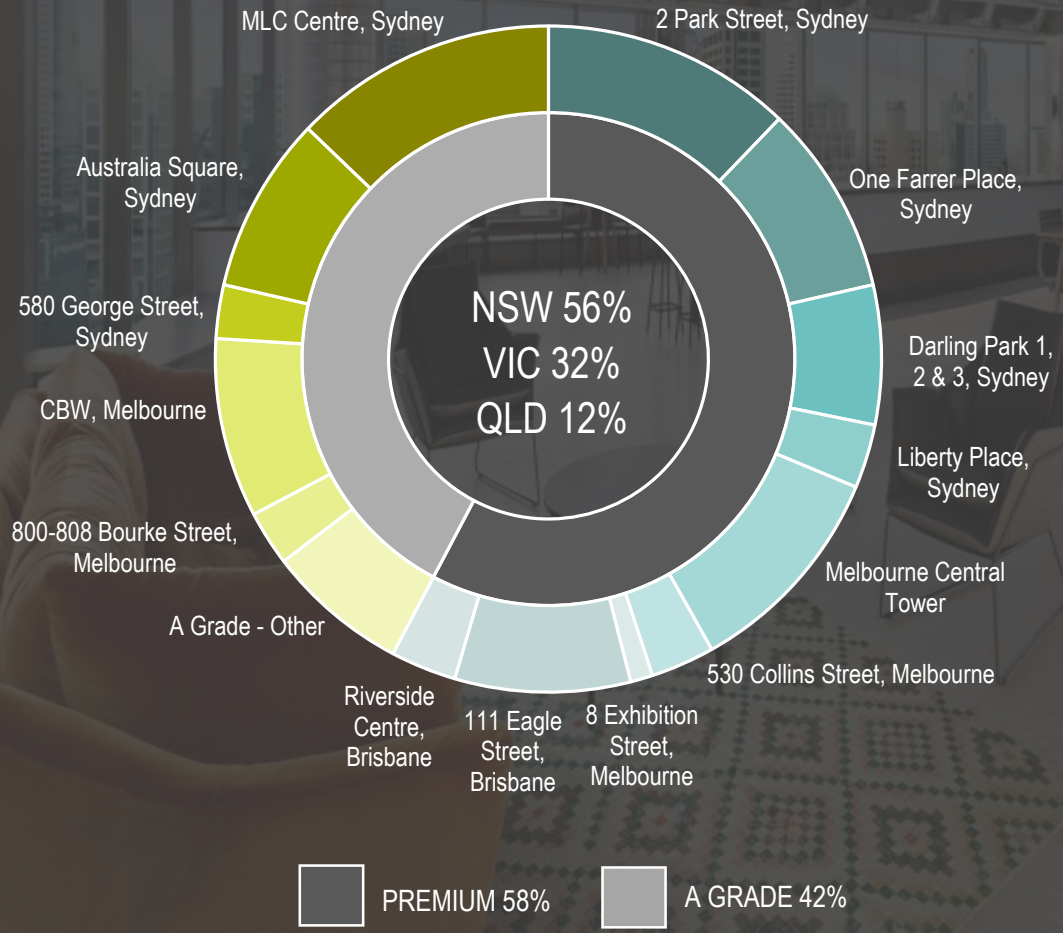
## Key Portfolio Statistics

5.0%	\$374.1M	95.2%	189,500M <sup>2</sup>	5.18%	5.6YRS
Portfolio like for like income growth	Valuation uplift	Total portfolio occupancy	Leases signed	Weighted Average Cap Rate	Office WALE

- Total Portfolio Return of 14.5%
- Like for like income growth of 5.0% driven by rental growth and increased occupancy for Sydney assets
- Valuation uplift due to rental growth and compression of investment metrics
- 225,700sqm of deals including leases signed and terms agreed
- Segment Result reflects strong leasing outcomes and the acquisition of additional GWOFF units

OFFICE FINANCIAL HIGHLIGHTS (\$M)	2017	2016	CHANGE
Operations Net Income	247.8	223.9	10.7%
Development Net Income	1.1	1.1	-
<b>Segment Result</b>	<b>248.9</b>	<b>225.0</b>	<b>10.6%</b>

# Office Portfolio Performance



**MLC CENTRE**



**2 PARK STREET**



**AUSTRALIA SQUARE**

- 2017 Total Return 25.3%
- 4.6 year WALE\*
- Tower repositioning now complete
- Retail redevelopment opportunity

- 2017 Total Return 18.1%
- 5.3 year WALE\*
- Over 30,000sqm leased in last 3 years
- Diverse tenant base including Amazon, Citi, QBE & Unilever


- 2017 Total Return 14.5%
- 3.2 year WALE\*
- Capitalise on strong Sydney leasing market with re-leasing opportunities in 2018/2019

\* WALE by income

# Office Leasing



- 189,500sqm signed leases in 2017 with a further 36,200sqm terms agreed
- Continuing demand from technology sector, contributing over 20% of 2017 leasing volume
- Strategic leasing a key focus with 44% of 2017 signed leases across expiries 2019+
- Benefiting from strong Sydney and Melbourne market conditions

MAJOR LEASES SIGNED	  			OFFICE PORTFOLIO					
				SYDNEY	MELBOURNE	BRISBANE			
	<p>750 Collins Street 41,400sqm</p> <p>Workplace6 16,300sqm</p> <p>Liberty Place 14,100sqm</p>				Leases Signed	189,500sqm	88,200sqm	82,300sqm	19,000sqm
	<p> <b>Allianz</b></p> <p><b>Deloitte.</b></p> <p> <b>dimension data</b></p>				% Forward Leasing (Expiries 2019+)	44%	38%	52%	33%
<p>Melbourne Central Tower 7,300sqm</p> <p>Riverside Centre 6,100sqm</p> <p>Darling Park 3 6,000sqm</p>				WALE by Income	5.6 years	5.4 years	5.7 years	5.8 years	

# Flexible Workspace Offering Space&Co.



- Momentum for flexible space continues with significant growth over the past 5 years
- Space&Co. provides a variety of workspace and co-working environments for use on demand
- Powerful differentiator for assets, providing enhanced returns



83% occupancy  
at 31 December 2017



GPT customers  
represent 50%  
of Space&Co.  
members



Expanding  
Space&Co. venues  
in 2018



Co-working % of market\*

0.6%	Australia
1.2%	Manhattan
4.0%	London



\* Knight Frank, August 2017. Based on % of Total Stock.

# Office Development

## 4 MURRAY ROSE, SYDNEY OLYMPIC PARK



- Construction well progressed with completion expected October 2018
- 60% pre-committed with active enquiry on remaining space
- Expected end value of over \$100m with a yield on cost over 7%

## 32 SMITH STREET, PARRAMATTA



- Development approval expected in H1 following achievement of design excellence
- Strong engagement with blue-chip occupiers
- Targeting commencement in 2018 and completion 2020
- Expected end value over \$230m, yield on cost over 7%

## COCKLE BAY PARK, SYDNEY



- Positive engagement with authorities on proposed scheme at Darling Park
- Office and retail precinct of approximately 70,000sqm
- Will reconnect the city to the harbour, provide re-energised retail offering, new public and outdoor cultural space

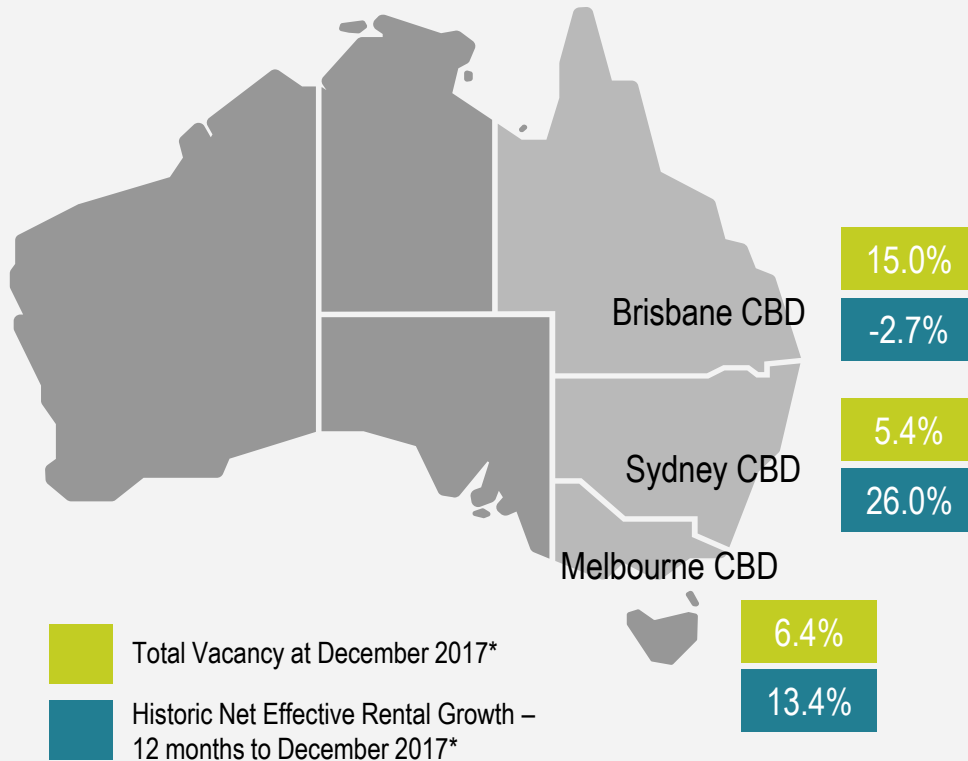
## MELBOURNE CENTRAL TOWER, MELBOURNE



- Comprehensive \$35m lobby upgrade, realignment of entry, creation of new retail and 'third space'
- Works to commence 2018
- Early engagement to seek pre-commitment for a 20,000sqm office tower on Lonsdale Street

# Market Outlook

## CURRENT MARKET



## GPT MARKET FORECAST

	SYDNEY CBD	MELBOURNE CBD	BRISBANE CBD
Market Outlook	<ul style="list-style-type: none"> <li>Vacancy contraction and rent growth forecast for medium term</li> <li>Net supply to remain low with limited construction in short term</li> </ul>	<ul style="list-style-type: none"> <li>Continued vacancy tightening and rent growth next two years</li> <li>Demand fuelled by strong Victorian economy and population growth</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing demand recovery has stabilised vacancy, with rental growth to turn positive</li> <li>No supply forecast for 2018 and to remain moderate over medium term</li> </ul>
Forecast net effective rental growth (next 12 months)	10%	11%	5%
Forecast average vacancy (next 3 years)	~5%	~6.5%	~15%



# LOGISTICS



Annual Result 2017



# Logistics Highlights

## Key Portfolio Statistics

4.0%	\$62.1M	96.1%	188,200M <sup>2</sup>	6.31%	7.6YRS
Portfolio like for like income growth	Valuation uplift	Total portfolio occupancy	Leases signed	Weighted average cap rate	Logistics WALE

- Total Portfolio Return of 11.2%
- Like for like income growth up 4.0%
- Strong leasing results with 240,600sqm of deals signed and terms agreed
- Operations Net Income growth impacted by the divestment of Kings Park in 2016, offset by leasing activity and development completions
- Four development completions in 2017 totalling 70,200sqm
- \$74 million acquisition in Melbourne completed in January 2018

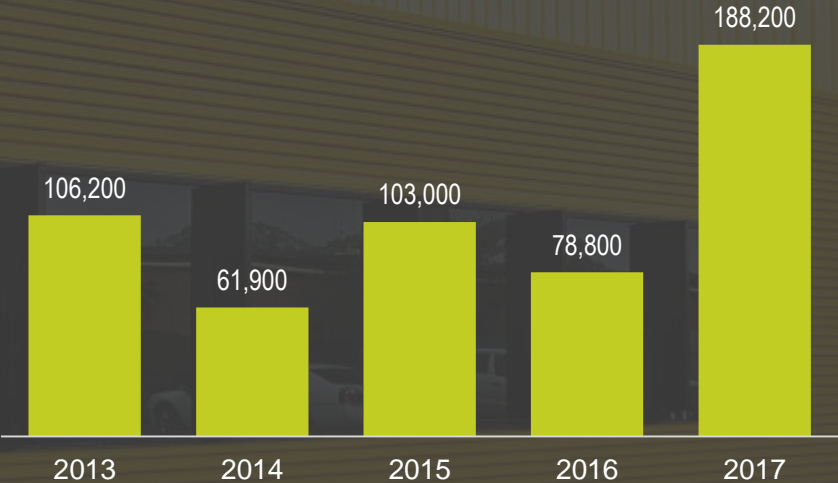
LOGISTICS FINANCIAL HIGHLIGHTS (\$M)	2017	2016	CHANGE
Operations Net Income	93.3	92.7	0.6%
Development Net Income	0.7	2.7	(74.1%)
<b>Segment Result</b>	<b>94.0</b>	<b>95.4</b>	<b>(1.5%)</b>

# Logistics Leasing & Acquisitions

## LEASING | INVESTMENT AND DEVELOPMENT

- Strong leasing activity with 188,200sqm of signed leases and 52,400sqm terms agreed
- Portfolio WALE of 7.6 years<sup>1</sup>
- Leases secured with national occupiers including Super Retail Group, Linfox and Silk Logistics

Leasing Volume 2013-2017  
(sqm.)



## ACQUISITION

### SUNSHINE BUSINESS ESTATE, MELBOURNE



- Located in the core inner west market of Sunshine, approximately 12km from Melbourne’s CBD and 6km from Port Melbourne
- \$74.0 million acquisition, settled in January 2018
- 6.1% initial yield
- High quality estate, four assets fully leased to ASX listed IVE Group for a remaining 9 years

<sup>1</sup> WALE by income

# Logistics Development

- Strong leasing outcomes achieved with the four developments completed in the year 100% leased
- Yield on cost of 7% for completions in 2017
- Three projects under construction across Sydney and Brisbane
- Future development pipeline of 67 hectares

## 2017 COMPLETIONS

- Huntingwood Stage 1, Sydney
- Metroplex Wacol (Loscam), Brisbane
- Seven Hills, Sydney
- 54 Eastern Creek Drive (Lot 2012), Sydney

70,200M<sup>2</sup>  
GLA

\$133.6M  
Value

100%  
Leased

## 54 EASTERN CREEK DRIVE, EASTERN CREEK



## UNDERWAY

- Eastern Creek (Lot 21), Sydney
- Huntingwood Stage 2, Sydney
- Metroplex Wacol (Volvo), Brisbane\*

53,000M<sup>2</sup>  
GLA

\$94.4M  
End Value

\* Divestment to complete in 2018, end value \$17.5m (50% interest)

# Logistics Market Outlook

## SYDNEY

- Development completions and future opportunities capitalising on strong leasing environment
- Take up will continue to benefit from online retailing and state growth

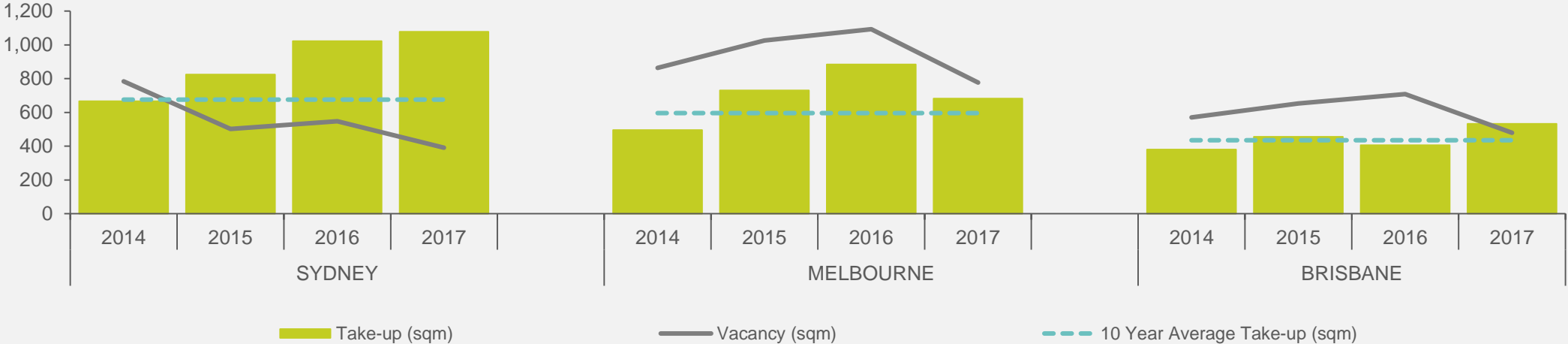
## MELBOURNE

- Population growth and infrastructure projects supporting demand
- Cheaper land prices and lower rents will maintain Melbourne’s competitiveness

## BRISBANE

- Strengthening state economy will underpin demand recovery
- Increasing enquiry for pre-lease and land sales

Gross Take-up and Vacancy by Market



Source: JLL, Knight Frank, Colliers, GPT Research – Take-up >5,000 sqm

# FUNDS MANAGEMENT

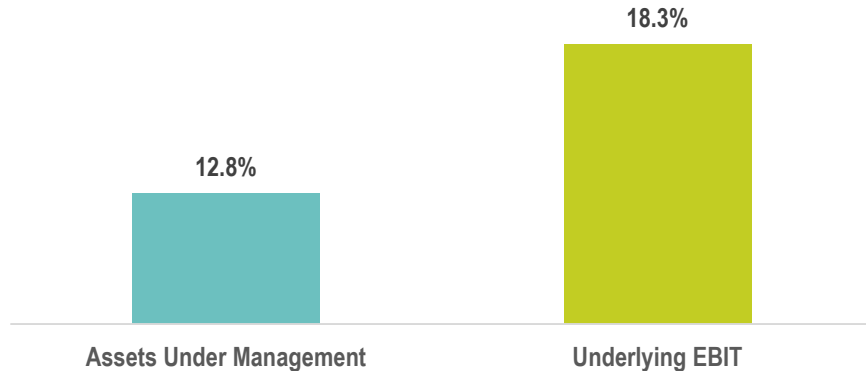


Annual Result 2017

# Funds Management Highlights

- Total assets under management increased by 15.4% to \$12.0 billion
- Funds Management business delivered a strong Total Return of 15.1% for the full year
- GPT Wholesale Shopping Centre Fund the top performing retail fund over one and two years
- Strong demand for units in both Funds from existing and new investors

**Economies of scale driving EBIT Growth**  
(5 Year CAGR)



FUND	TOTAL ASSETS	FUND RETURN (1YR)	GPT INVESTMENT
GWOF	\$7.1bn	13.4%	\$1.4bn
GWSCF	\$4.9bn	12.5%	\$1.0bn
<b>Total</b>	<b>\$12.0bn</b>		<b>\$2.4bn</b>

FINANCIAL HIGHLIGHTS (\$M)	2017	2016	CHANGE
Adjusted Earnings (excl. GWOF Performance Fee)	37.0	32.9	12.5%
GWOF Performance Fee	-	28.1	
Segment Result	37.0	61.0	

# Fund Update



## GPT WHOLESALE OFFICE FUND

- Sale of 545 Queen Street, Brisbane for \$70.5 million completed
- Portfolio WALE increased from 5.9 years to 7.0 years
- Revaluations resulted in a total gain of \$409 million
- Issued a \$200 million 10 year MTN with a fixed coupon of 4.52%
- Completed a US\$150 million 12 year US Private Placement note issue, increasing average debt term to 5.9 years



## GPT WHOLESALE SHOPPING CENTRE FUND

- New Fund terms unanimously approved by Investors
- Liquidity review successfully concluded with all securities taken up under the pre-emptive offer process
- Macarthur Square expansion completed and Wollongong Central successfully repositioned
- Acquisition of a further 25% interest in Highpoint for \$680 million
- Wollongong Central sale process planned in 2018
- Issued a \$200 million 7 year MTN with a fixed coupon of 3.99%



# Summary & Outlook

## BALANCE SHEET

- S&P/Moody's Ratings at A/A2
- Cost of debt expected to be approximately 4.25% in 2018
- Conservative gearing at 24.4% with a weighted average term to maturity of 7.1 years

## SECTOR OUTLOOK

- Retail sales growth likely to remain below trend in the near term
- Favourable Office Sector conditions expected to continue
- Logistics continues to benefit from retail/ecommerce demand and housing cycle

## GROUP OUTLOOK

- Investment Portfolio expected to deliver solid growth
- New development additions on track for 2019/2020
- Modest increase in repositioning capital for Retail and Office assets

## 2018 GUIDANCE

**FFO per security growth of approximately 3%**

**DPS growth of approximately 3%**

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Information is stated as at 31 December 2017 unless otherwise indicated.

All values are expressed in Australian currency unless otherwise indicated.

Funds from Operations (FFO) is reported in the Segment Note disclosures which are included in the financial report of The GPT Group for the 12 months ended 31 December 2017. FFO is a financial measure that represents The GPT Group's underlying and recurring earnings from its operations. This is determined by adjusting statutory net profit after tax under Australian Accounting Standards for certain items which are non-cash, unrealised or capital in nature. FFO has been determined based on guidelines established by the Property Council of Australia. A reconciliation of FFO to Statutory Profit is included in this presentation.