



# 2018 ANNUAL RESULT

MARKET BRIEFING  
11 February 2019

# AGENDA



Annual Result 2018

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A high quality  
portfolio of  
Australian  
real estate in the  
best markets



The GPT Group

## OUR VISION

To be the most  
respected property  
company in Australia  
in the eyes of our  
Investors, People,  
Customers and  
Communities



## OUR FOCUS

Focus on quality  
assets and markets  
that we believe  
will provide  
long term growth  
for our investors



# 2018 Annual Result Financial Highlights

Consistently delivering strong returns

**3.5%**

FFO GROWTH  
PER SECURITY

**3.5%**

DISTRIBUTION GROWTH  
PER SECURITY

**\$5.58**

NTA PER SECURITY  
UP 10.7 PER CENT

**15.8%**

TOTAL  
RETURN



# Progress on Strategic Priorities

## Investment Portfolio

- + Portfolio occupancy of 97.8%
- + Like for like income growth 3.8%
- + Revaluation gains of \$911 million
- + Weighted Average Capitalisation Rate 5.02%

## Development Pipeline

- + Sunshine Plaza 97% leased
- + 4 Murray Rose Avenue completed
- + 32 Smith Street pre-commitment for 51% of NLA
- + Cockle Bay Park (Darling Park 4) DA progressed
- + Rouse Hill Town Centre revised DA lodged Q4 2018
- + Melbourne Central Office and Retail expansion

## Balance Sheet & Capital Management

- + Net gearing at 26.3%
- + Interest rate hedging at 83%
- + Credit ratings unchanged at A / A2
- + Weighted Average Debt Maturity of 6.3 years

## Funds Management

- + Market leading wholesale platform
- + Assets Under Management of \$12.6 billion
- + 12 month total return of 11.3%
- + Development pipeline of over \$1.2 billion
- + Office Fund raised \$275 million of new equity

# FINANCE & TREASURY



Annual Result 2018

# Financial Summary

12 MONTHS TO 31 DECEMBER (\$ MILLION)	2018	2017	CHANGE
<b>Funds From Operations (FFO)</b>	<b>574.6</b>	<b>554.2</b>	<b>3.7%</b>
Valuation increases	910.7	717.7	
Treasury items marked to market	(39.6)	(2.9)	
Other items	6.0	(1.0)	
<b>Net Profit After Tax (NPAT)</b>	<b>1,451.7</b>	<b>1,268.0</b>	<b>14.5%</b>
<b>Funds From Operations (cents per stapled security)</b>	<b>31.84</b>	<b>30.77</b>	<b>3.5%</b>
<b>Funds From Operations (FFO)</b>	<b>574.6</b>	<b>554.2</b>	<b>3.7%</b>
Maintenance capex	(53.2)	(54.4)	
Lease incentives	(60.9)	(53.5)	
<b>Adjusted Funds From Operations (AFFO)</b>	<b>460.5</b>	<b>446.3</b>	<b>3.2%</b>
<b>Distribution (cents per stapled security)</b>	<b>25.46</b>	<b>24.60</b>	<b>3.5%</b>

**\$1,451.7M**

STATUTORY NET PROFIT  
AFTER TAX

**3.5%**

FFO PER SECURITY GROWTH

**99.8%**

PAYOUT RATIO

# Segment Result

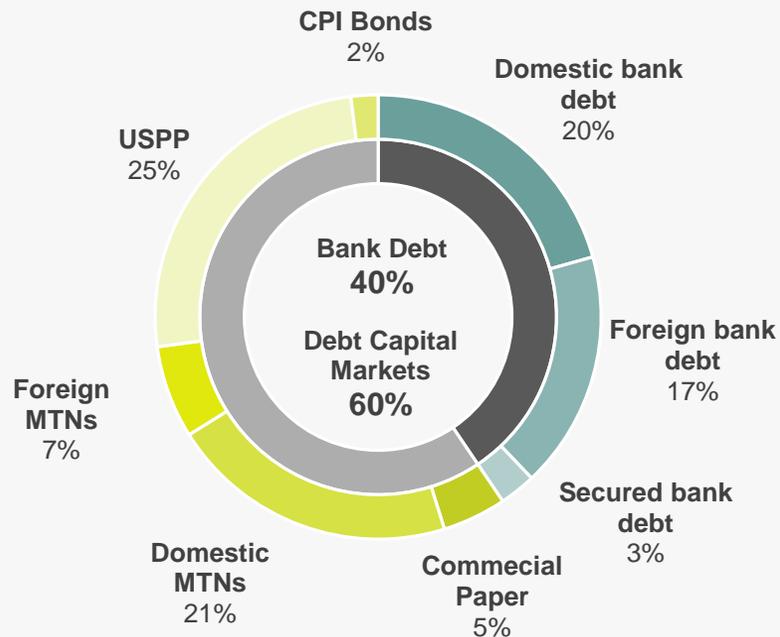
12 MONTHS TO 31 DECEMBER (\$ MILLION)	2018	2017
Retail	326.2	318.4
Office	268.7	248.9
Logistics	109.9	94.0
Funds Management	42.6	37.0
<b>Net Income</b>	<b>747.4</b>	<b>698.3</b>
Net interest expense	(124.4)	(102.4)
Corporate overheads	(34.2)	(30.6)
Tax expense	(14.2)	(11.1)
<b>Corporate</b>	<b>(172.8)</b>	<b>(144.1)</b>
<b>Funds From Operations</b>	<b>574.6</b>	<b>554.2</b>



# Capital Management

- + Diversified sources of debt
- + Gearing policy of 25 – 35%
- + Targeting 'A-space' credit ratings

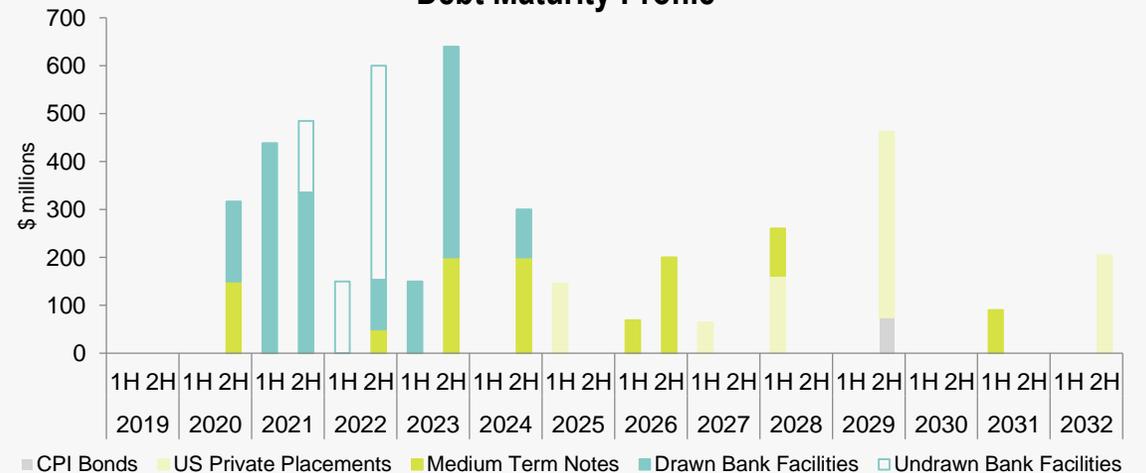
## Sources of Drawn Debt



## KEY STATISTICS

	DEC 2018	JUN 2018
Net tangible assets per security	\$5.58	\$5.31
Net gearing	26.3%	24.7%
Weighted average cost of debt	4.2%	4.3%
Weighted average term to maturity	6.3 years	6.6 years
Interest cover ratio	5.7x	6.0x
Credit ratings (S&P / Moody's)	A / A2	A / A2
Weighted average term of hedging	4.4 years	4.6 years
Drawn debt hedging	83%	79%

## Debt Maturity Profile



RETAIL



Annual Result 2018



# Retail Highlights

**2.2%**

LIKE FOR LIKE  
INCOME GROWTH

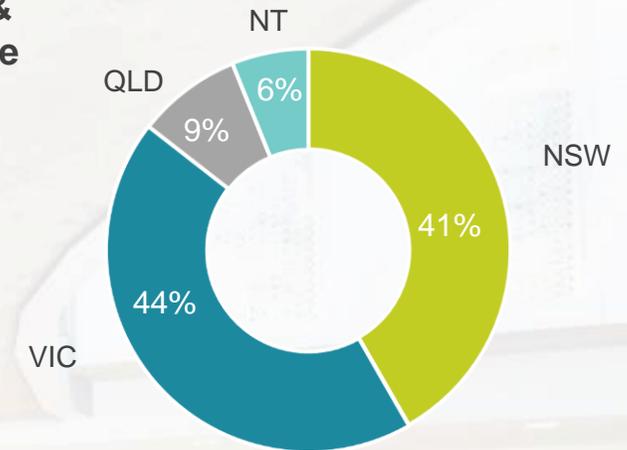
**3.6%**

TOTAL SPECIALTY  
MAT GROWTH

**99.6%**

PORTFOLIO  
OCCUPANCY

## Retail Portfolio Quality & Exposure



## Key Outcomes

- + \$6.2 billion retail portfolio
- + Like for like income growth of 2.2% led by strong results from Charlestown, Melbourne Central and Rouse Hill
- + Retail segment FFO contribution of \$326.2 million, 2.4% growth on 2017
- + Revaluation uplift of \$161.0 million, WACR<sup>1</sup> of 4.88%
- + Total Portfolio Return of 8.2%
- + Specialty Sales Productivity at \$11,460psm
- + Sunshine Plaza development stage one opening fully leased

**85%**

exposure to  
NSW and VIC

**99%**

prime  
regional  
assets

**70%**

of portfolio located  
in markets with  
household income  
above Australian  
average

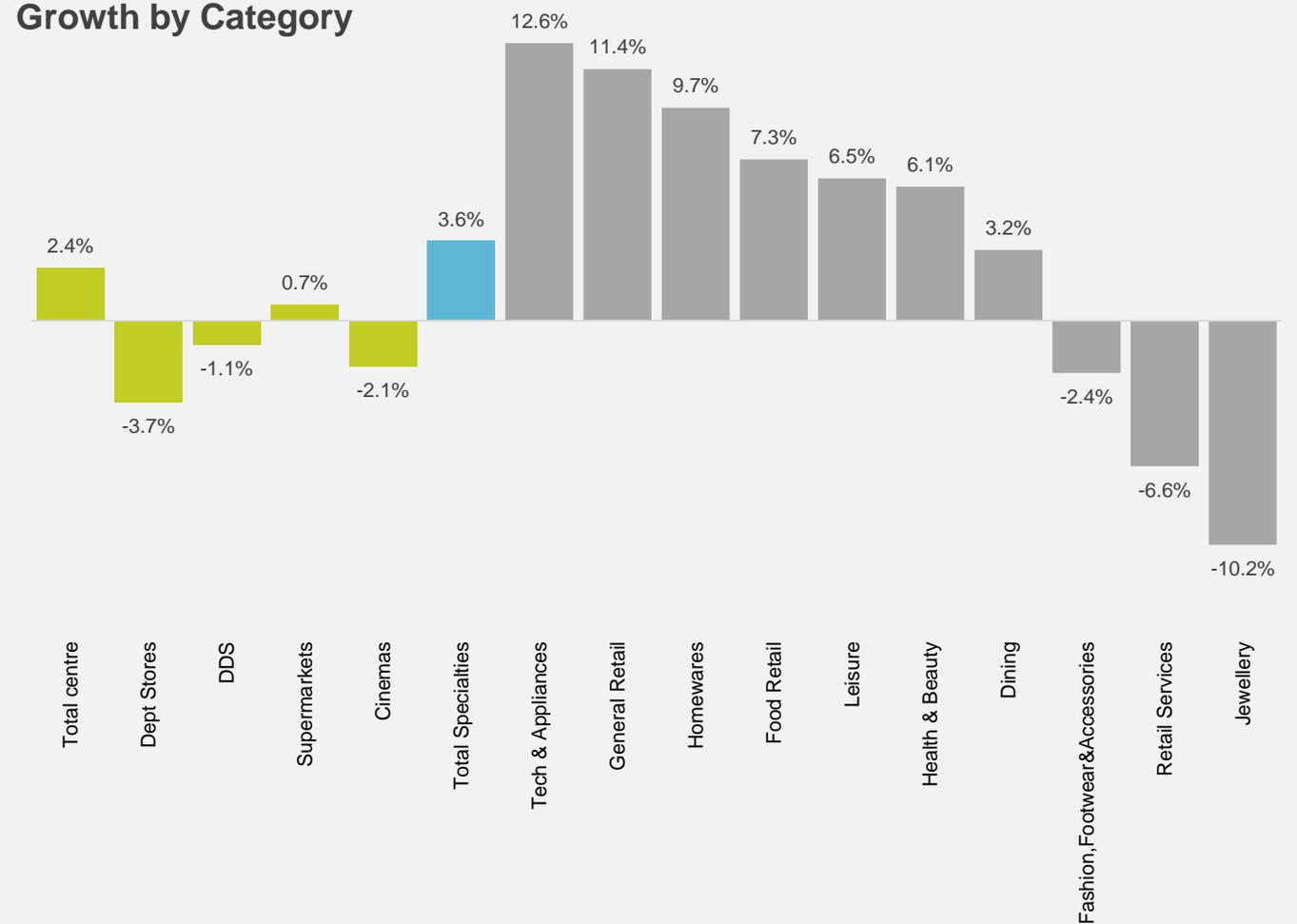
1. Weighted average capitalisation rate

# Retail Sales

**3.6%**  
Total Specialty MAT Growth

<b>Specialties &gt;400sqm</b>	<b>Specialties &lt;400sqm</b>
<b>6.9%</b>	<b>2.5%</b>
<b>Specialty Sales Productivity (&lt;400sqm)</b>	
<b>\$11,460</b> Specialty Sales per sqm	<b>2.5%</b> Specialty Sales per sqm growth

## Portfolio MAT Growth by Category



Statistics exclude development impacted centres (Sunshine Plaza, Macarthur Square, Wollongong)

# Retail Leasing

- + High quality portfolio is well positioned with low vacancy and fixed increases of 4.7% achieved on deals completed in 2018
- + Delivered positive leasing spreads with holdovers reducing to 5.9%
- + Continuing to remix the portfolio, responding to customer demand and focused on driving sales productivity

## Portfolio Leasing Statistics

	DEC 2018	JUN 2018
Portfolio Occupancy	99.6%	99.7%
Retention Rate	71.3%	71.0%
Avg. Annual Fixed Increase <sup>1,2</sup>	4.7%	4.8%
Avg. Lease Term <sup>1,2</sup>	4.7 years	4.8 years
Leasing Spread <sup>2</sup>	0.2%	0.6%
Specialty Occupancy Cost <sup>2</sup>	16.9%	17.0%

1. New leases

2. Specialties <400sqm

Statistics exclude development impacted centres (Sunshine Plaza, Macarthur Square, Wollongong) & holdovers

- + Introduction of new retail concepts and remixing to growth categories at Highpoint as part of the re-leasing program in 2018



Expanding growth retailers

seed  
HERITAGE

MECCA MAXIMA

Conversion of apparel into food/lifestyle

RUSTICA

MILLIGRAM

First to market retailers

TOMS

TIMBUK2  
SAN FRANCISCO

# Retail Development

## Sunshine Plaza

### Stage One

- + Opened fully leased on 15 November 2018 including 33 new specialty stores and a refurbished Myer
- + During first 6 weeks, sales performance has been strong

### Stage Two

- + Opens 28 March 2019 including David Jones, Big W, H&M and 70 new specialty stores

### Retail Offer

- + **40 retail brands**  
new to the Sunshine Coast market including a number of international brands and national flagship stores
- + **Destination**  
Leading entertainment, dining and leisure destination, including the highest outdoor zip line course in Australia, a first for a major regional shopping centre (opening mid 2019)

### Investment Summary

- + **\$216 million**  
of capital invested (GPT's 50% interest)
- + **Approx. 6%**  
stabilised incremental yield



# Retail Development



## Melbourne Central

- + Progressive enhancement of the existing asset | \$50 million during 2019 and 2020
- + Proposed Retail Expansion | \$70 million, approximately 7,000sqm of retail over two levels
  - + Expansion of leisure and entertainment precinct showcasing the best of Melbourne's "laneways and high streets" including dining, education, wellness and retail markets
  - + Forecast Return | over 6.5% stabilised yield
  - + Target Commencement – late 2019 | Completion – late 2021



## Rouse Hill Town Centre

- + Proposed \$170 million expansion, including additional 16,300sqm of retail and 4,500sqm of commercial space
  - + Responding to demand and retail undersupply in this strong growth market introducing food, leisure, entertainment, health & wellness and international retailers
  - + Opportunity for residential to be integrated within retail scheme
  - + Development Applications lodged in December 2018
  - + Forecast Return | over 6.5% stabilised yield
  - + Target Commencement – early 2020 | Completion – early 2022

# OFFICE & LOGISTICS



Annual Result 2018



# Office Highlights

**5.8%**

PORTFOLIO  
LIKE FOR LIKE  
INCOME GROWTH

**\$598.5M**

VALUATION  
UPLIFT

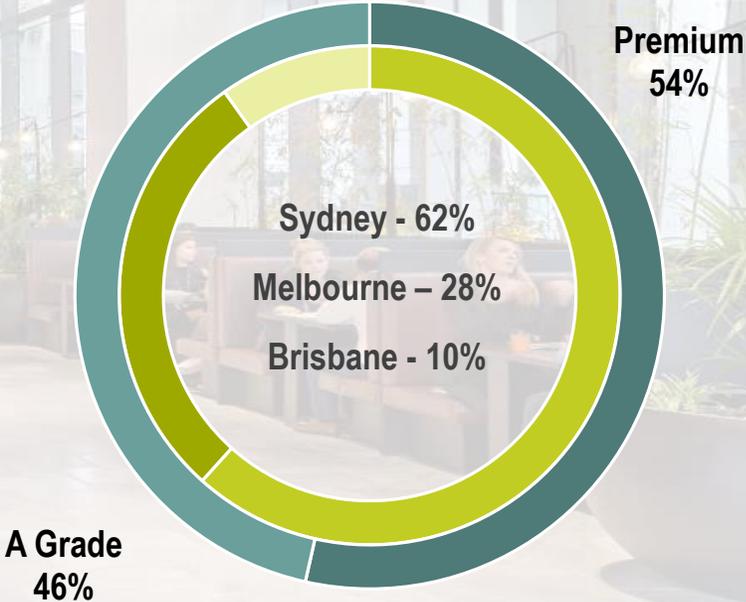
**16.9%**

TOTAL  
RETURN

## Key Outcomes

- + \$5.9 billion office portfolio
- + Office valuation gains driven by Sydney assets, WACR of 4.95%
- + Leases signed totalling 158,400sqm and 19,400sqm at terms agreed
- + Portfolio occupancy of 97.1% and WALE of 5.2 years
- + Operations Net Income up 8.0% to \$267.7 million as result of strong underlying portfolio growth and the acquisition of Eclipse Tower, Parramatta
- + Delivered 4 Murray Rose Avenue, Sydney Olympic Park and commenced construction of 32 Smith Street, Parramatta

## Office Portfolio Geographic Exposure

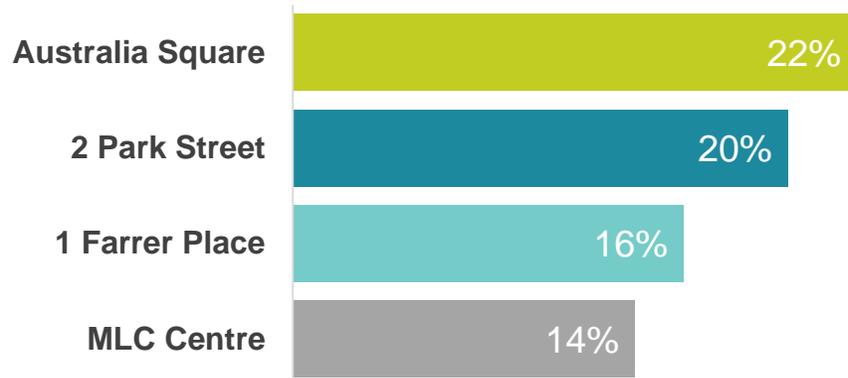


# Office Valuation & Market Fundamentals

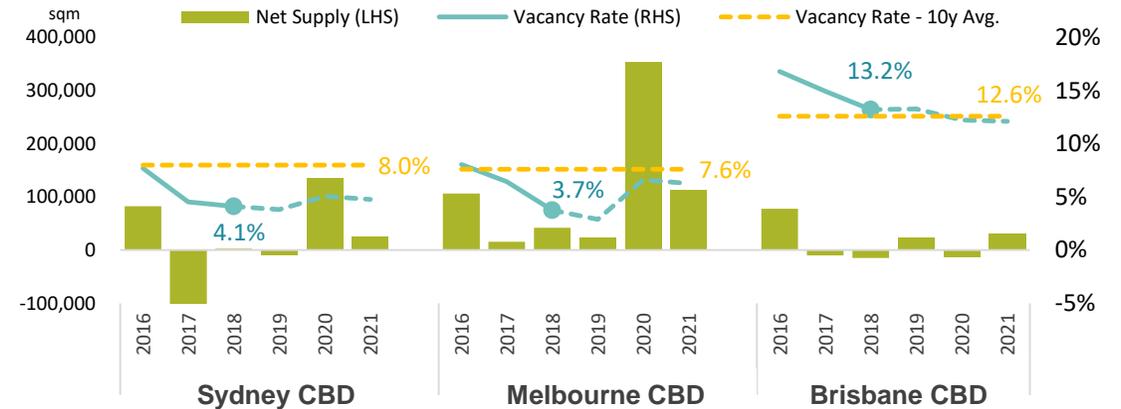
- + Valuation uplift for 12 months of \$598.5 million for the Office portfolio, representing an increase of 11%
- + Sydney experienced greatest valuation growth, delivering uplift of \$485.0 million
- + Positive effective rental growth forecast across Eastern Seaboard markets in 2019
- + Strong 12 month net absorption in Melbourne of ~168,000sqm

## Valuation Uplift - Sydney CBD

1 Year to 31 December 2018

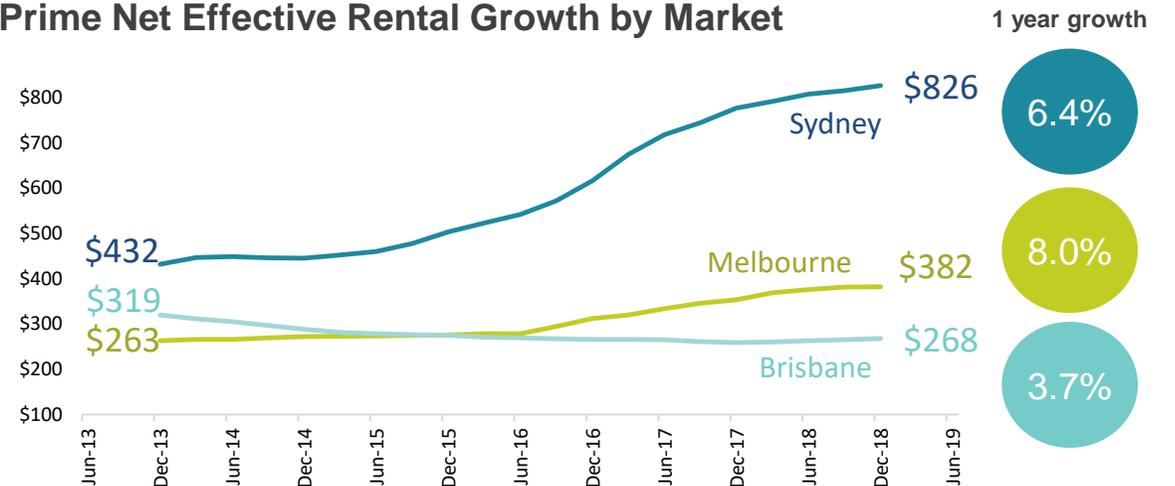


## Net Supply vs Vacancy Rate by Market



Source: Data summarises all grades; JLL, GPT Research – Q4 2018

## Prime Net Effective Rental Growth by Market



Source: JLL, GPT Research – Q4 2018

# Office Leasing

- + 158,400sqm of signed leases with a further 19,400sqm terms agreed
- + Increased occupancy to 97.1% with limited vacancy in Melbourne
- + Renewals secured with Mills Oakley, Baker McKenzie, AusNet Services and Microsoft
- + New leases agreed with CUB, Westpac and NIB

## 2018 Leasing Success

	OFFICE PORTFOLIO	SYDNEY	MELBOURNE	BRISBANE
Leases Signed	158,400sqm	78,600sqm	54,100sqm	25,700sqm
Occupancy Incl. Signed Leases	97.1%	96.1%	98.6%	94.8%
WALE by Income	5.2 years	5.2 years	5.0 years	5.8 years



### Customer Focus

- + Customer Satisfaction Survey by independent consultant Campbell Scholtens
- #1 GPT portfolio ranking to surveyed peers
- 85% Customer satisfaction score
- 82% Response rate

## Customer Insights

**19%**

expected to need more office space

**28%**

have already adopted activity based working with a further 16% likely to adopt in the next 3 years

**23%**

are utilising flexible space on an as-needed basis, with 17% likely to adopt in next 3 years



# Office Portfolio Growth



## Eclipse Tower, 60 Station St, Parramatta

Acquisition Date	September 2018
Asset Area	25,700sqm
Purchase Price	\$277.6 million
Initial Yield	5.34%

- + 100% leased to blue chip occupiers
- + High profile quality A-grade asset, completed in 2012
- + Central Parramatta location adjacent to train station



## 32 Smith, Parramatta

- + QBE pre-commitment across 13,600sqm, representing 51% of NLA
- + Target completion in late 2020
- + Expected yield on cost of ~6.75% and an end value in excess of \$300 million
- + Parramatta office market experiencing record low vacancy rates, limited uncommitted supply

## 4 Murray Rose Avenue, Sydney Olympic Park

Completed	October 2018
Asset Area	15,800sqm
Yield on Cost*	7.75%

- + Valued at \$125 million
- + 81% leased, with NSW Rural Fire Service (9,300sqm) now in occupation



## 300 Lonsdale Street, Melbourne Central

- + Seeking pre-commit for ~20,000sqm complex above retail centre
- + Unique opportunity to further enhance Melbourne Central as a dominant mixed use precinct
- + Expected yield on cost for office component over 6.50% and end value in excess of \$200 million



\* Forecast yield on cost at full occupancy.

# Logistics Highlights

**2.8%**

PORTFOLIO  
LIKE FOR LIKE  
INCOME GROWTH

**\$151.2M**

VALUATION  
UPLIFT

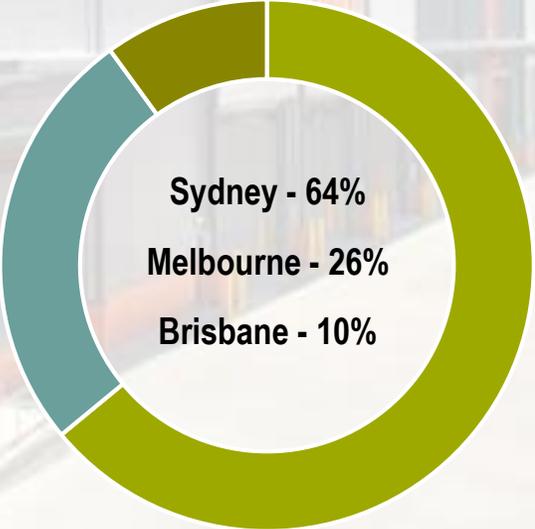
**15.2%**

TOTAL  
RETURN

## Key Outcomes

- + \$1.9 billion logistics portfolio
- + High portfolio occupancy of 97.2% and long WALE of 7.1 years
- + 164,300 sqm of leases signed and 39,700 sqm of terms agreed
- + Operations Net Income up 12.3% to \$104.8 million as a result of underlying portfolio growth, acquisitions and developments
- + Significant valuation uplift and WACR of 5.78%
  - Two developments commenced in 2018 have delivered an uplift of \$17.6 million, now valued at \$85.7 million
  - Strong uplift for long WALE assets in Sydney
- + Three investment acquisitions and development land purchased in Melbourne's west

## Logistics Portfolio Geographic Exposure



# Logistics Portfolio Growth

- + Three prime logistics assets acquired, totalling \$102 million, in Sunshine, Derrimut and Truganina in Melbourne's West
- + Replenishing the Logistics land bank through the acquisition of 8.9 hectares of land in Truganina with capacity to deliver 48,000sqm of GLA
- + Completion of logistics developments at Huntingwood 1B and 50 Old Wallgrove Road at Eastern Creek
- + Six new developments completed over past 18 months, delivering \$240 million of investment assets



**Huntingwood 1B  
Sydney**

End Value	\$26 million
Asset Area	11,300sqm
Yield on Cost	6.7%

- Leased to Cahill Transport Group



**50 Old Wallgrove Road, Eastern Creek  
Sydney**

Forecast End Value	\$66 million
Asset Area	30,100sqm
Yield on Cost*	6.6%

- Leased to ACR Supply Partners<sup>1</sup>

\* Forecast yield on cost at full occupancy.  
1. Includes leasing completed post-balance date.



**Sunshine Business Estate  
Melbourne**

Located approximately 6km from Port Melbourne	
Acquisition Price	\$74 million
Initial Yield	6.1%

- Four assets fully leased to ASX listed IVE Group for a remaining 8 years

# FUNDS MANAGEMENT



Annual Result 2018



# Funds Management Highlights

**\$12.6B**

ASSETS UNDER  
MANAGEMENT

**11.3%**

TOTAL  
RETURN

**15.1%**

PROFIT  
GROWTH

FUNDS MANAGEMENT FINANCIAL SUMMARY (\$M)	2018	2017	CHANGE
Segment Result	42.6	37.0	15.1%

## Key Outcomes

- + Funds Management business delivered a strong total return of 11.3% for the full year
- + Total Assets Under Management increased by 5% to \$12.6 billion
- + Operating EBIT grew by 15.1% to \$42.6 million
- + Result demonstrates scalable platform as earnings growth exceeds AUM growth

## AUM and EBIT Growth (5 Year CAGR)



# Fund Update

## GPT Wholesale Office Fund

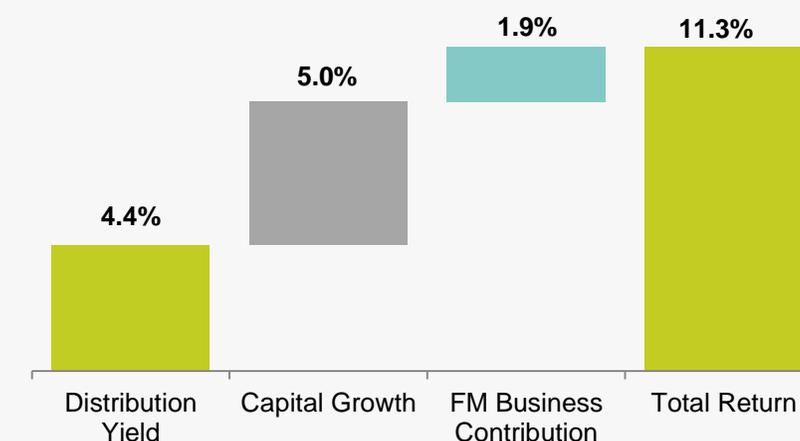
- Achieved a 12.7% total return for the year to 31 December 2018
- Leading its unlisted office fund peers over five, seven and ten years
- Acquired 32 Flinders Street, Melbourne, as a medium-term precinct development opportunity
- Successfully completed a long-dated US Private Placement (USPP) for US\$250m (A\$351m) at a low margin of 167 bps
- Raised \$275 million of equity from a mix of existing and new investors, with funds initially used to reduce gearing to 15.5%

## GPT Wholesale Shopping Centre Fund

- Achieved a 4.8% total return for the year to 31 December 2018
- Leading its unlisted retail fund peers with a 9.6% total return over three years
- Progressed its strategy to re-weight portfolio towards super-regional shopping centres
- Maribyrnong Homemaker Centre was sold for \$67.1 million, a 12% premium to book value

FUND	TOTAL ASSETS	FUND RETURN		GPT INVESTMENT
		1 year	3 years	
GWOF	\$7.8b	12.7%	13.6%	\$1.5b
GWSCF	\$4.8b	4.8%	9.6%	\$1.0b
<b>Total</b>	<b>\$12.6b</b>			<b>\$2.5b</b>

GPT Total Return for 12 months to 31 December 2018



# Summary & Outlook

## ECONOMIC OUTLOOK

- Economic outlook has softened but expected to remain healthy
- Sydney & Melbourne beneficiaries of public & private investment, low unemployment and population growth
- Fiscal and monetary policy remains accommodative and flexible

## SECTOR OUTLOOK

- Retail assets in strong catchments with a compelling proposition will grow productivity
- Sydney and Melbourne office market fundamentals remain robust
- Logistics values will continue to benefit from strong investor demand

## GROUP OUTLOOK

- Office and logistics sectors will continue to outperform
- Strategic investment will ensure our retail assets remain preferred destinations
- Developments on-track and provide growth opportunities
- Disciplined capital allocation and strong capital position

## 2019 GUIDANCE

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**FFO per security growth of 4%**

**DPS growth of 4%**

# Disclaimer

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Information is stated as at 31 December 2018 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 2018. 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. Key statistics for the Retail and Office divisions include GPT Group's weighted interest in the GPT Wholesale Shopping Centre Fund (GWSCF) and the GPT Wholesale Office Fund (GWOF) respectively.

The images for Melbourne Central and Rouse Hill Town Centre on page 15, and for 32 Smith Street and Melbourne Central on page 20, represent artist impressions.