



The GPT Group

# HALF YEAR UPDATE

2017



Dear Investor,

I am pleased to update you on the activities and financial results of The GPT Group for the half year ended 30 June 2017.

GPT delivered strong financial performance during the period, with a Total Return of 16.9 per cent on a rolling 12 month basis. The value of the Group's investment portfolio increased by \$480 million during the half, with Net Tangible Assets per security rising to \$4.88, an increase of 6.3 per cent.

Funds From Operations (FFO) per security growth, which is the REIT sector's key measure of earnings, was 3.5 per cent higher compared to the previous corresponding period. This was primarily driven by 4.7 per cent like-for-like income growth across the Group's portfolio, supported by the high level of occupancy of 96.9 per cent. Total distributions of 12.3 cents per security were declared for the six months.

The Group's statutory profit for the six months to 30 June 2017 was \$752.3 million, a 28.3 per cent increase on the prior corresponding period.

The Group's Retail portfolio delivered total centre sales growth of 3.4 per cent over the 12 month period to 30 June 2017. GPT's ongoing focus on strategic investment in our assets and maintaining the right tenant mix were key to the Retail portfolio's performance.

The Office portfolio continued to deliver strong results, with like-for-like income growth of 5.8 per cent over the period. This was driven by high portfolio occupancy and growth in net effective rents in the Group's core markets of Sydney and Melbourne.

The Group has also made solid progress advancing its development pipeline.

Construction of GPT's 15,700 square metre A Grade office development at 4 Murray Rose, Sydney Olympic Park commenced during the period. The Group's plans for a 26,000 square metre prime office tower at 32 Smith Street Parramatta reached an important milestone with a scheme submitted by Fender Katsalidis Architects for the proposed building being awarded design excellence by Parramatta City Council.

During the half, GPT delivered new logistics facilities in Huntingwood and Seven Hills in Sydney, both of which are now fully leased. Works also commenced on the development of two new logistics assets in Eastern Creek in Sydney.

GPT's Funds Management business continues to achieve strong results, delivering a Total Return for 12 months to 30 June of 17 per cent.

During the period, the GPT Wholesale Shopping Centre Fund (GWSCF) saw investors approve renewed Fund terms ahead of its ten year anniversary, and the successful completion of its first liquidity review. In May, GPT took the opportunity to acquire an additional \$112 million in securities, increasing its investment in the Fund from 25.3 per cent to 28.9 per cent.

# OUTLOOK



Bob Johnston  
CEO & MANAGING DIRECTOR

GPT is well positioned to deliver growth in earnings for securityholders as it heads into the second half of 2017.

At the Group's Interim Result announcement on 15 August, we upgraded earnings guidance for 2017 to 3 per cent growth in FFO per security, up from the 2 per cent announced in February. Distributions per security growth of approximately 5 per cent is expected.

The revised earnings guidance reflects the strong performance of the business, supported by a high level of occupancy and income growth across the portfolio.

I would like to thank all securityholders for their ongoing support, and I look forward to updating you on the Group's activities early in 2018.



**Bob Johnston**  
CEO and Managing Director

## GPT CALENDAR

June 2017 half year distribution payment date	31 August 2017
December 2017 half year distribution announcement date	December 2017
December 2017 half year distribution record date	31 December 2017
2017 Annual Result announcement date	February 2018
December 2017 half year distribution payment date	February 2018

## Delivering results from core business

# 3.5%

FFO<sup>1</sup> per security growth

# 16.9%

Total Return

## Investment Portfolio Performance

# 4.7%

Portfolio like for like income growth

# \$480m

Portfolio valuation uplift

## Distribution

# 12.3¢

Distribution per security 1H17

## Capital Management

# 24.1%

Net gearing

## Portfolio Leasing & Occupancy

# 96.9%

Total portfolio occupancy

# 5.2yrs

Weighted average lease expiry

## KEY FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS TO 30 JUNE 2017 INCLUDED:

- Net Profit After Tax of \$752.3 million, up 28.3 per cent
- Funds From Operations (FFO) per security growth 3.5 per cent
- 16.9 per cent Total Return on a rolling 12 month basis
- 24.1 per cent net gearing
- Net Tangible Assets of \$4.88 per security up 29 cents

1. Funds from operations.

## FINANCIAL SUMMARY

The Group's statutory profit for the six months to 30 June 2017 was \$752.3 million, a 28.3 per cent increase on the prior corresponding period. The increase in the value of the investment portfolio of \$480 million was a key contributor to the statutory profit result.

The Group declared a distribution of 12.3 cents per security for the six months, which was 7 per cent higher than the previous corresponding period.

GPT's balance sheet is in a strong position, with a low level of gearing of 24.1 per cent at 30 June 2017. The Group's weighted average cost of debt decreased by five basis points during the period to 4.2 per cent.

6 months to 30 June	2017	2016	Change
Funds From Operations (\$m)	279.8	269.8	▲ 3.7%
Net profit after tax (\$m)	752.3	586.4	▲ 28.3%
FFO per ordinary security (cents)	15.54	15.02	▲ 3.5%
FFO yield (based on period end price)	6.5%	5.6%	▲ 90 bps
Distribution per ordinary security (cents)	12.3	11.5	▲ 7.0%
Distribution yield (based on period end price)	5.2%	4.3%	▲ 90 bps
Net interest expense (\$m)	(47.2)	(50.1)	▼ 5.8%
Interest capitalised (\$m)	11.8	3.4	▲ 247.1%
Weighted average cost of debt	4.2%	4.3%	▼ 10 bps
Interest cover	7.0 times	6.3 times	▲ 0.7 times

	As at 30 Jun 17	As at 31 Dec 16	Change
Total assets (\$m)	12,532.9	11,817.9	▲ 6.1%
Total borrowings (\$m)	3,179.7	2,996.6	▲ 6.1%
NTA per security (\$)	4.88	4.59	▲ 6.3%
Net gearing	24.1%	23.7%	▲ 40 bps
Net look through gearing	26.2%	25.7%	▲ 50 bps
Weighted average term to maturity of debt	5.9 years	6.5 years	▼ 0.6 years
Credit ratings	A (stable) A3 (stable)	A (stable) A3 (stable)	No Change
Weighted average term of interest rate hedging	5.1 years	4.4 years	▲ 0.7 years



# PORTFOLIO OVERVIEW

GPT's core portfolio consists of high quality properties in the retail, office and logistics sectors. The portfolio includes some of the most iconic buildings in Australia and award winning developments.



## RETAIL PORTFOLIO

- 13 shopping centres
- 940,000 sqm GLA
- 3,200 + tenants
- \$5.6b portfolio
- \$8.6b AUM



## OFFICE PORTFOLIO

- 22 assets
- 1,110,000 sqm NLA
- 490 + tenants
- \$4.8b portfolio
- \$10.1b AUM



## LOGISTICS PORTFOLIO

- 27 assets
- 750,000 sqm GLA
- 70 + tenants
- \$1.5b portfolio
- \$1.5b AUM

GPT Portfolio Diversity  
As at 30 June 2017



	Portfolio Size	Comparable Income Growth <sup>1</sup>	WALE	Occupancy	WACR
Retail	\$5.61b	3.8%	4.1 years	99.6%	5.28%
Office	\$4.77b	5.8%	5.3 years	97.4%	5.25%
Logistics	\$1.48b	3.8%	8.0 years	95.0%	6.39%
<b>Total</b>	<b>\$11.87b</b>	<b>4.7%</b>	<b>5.2 years</b>	<b>96.9%</b>	<b>5.39%</b>

## STRUCTURED RENTAL INCREASES<sup>2</sup>



1. Income for the 6 months to 30 June 2017 compared to the previous corresponding period.

2. Structured rent reviews for the 12 months to 31 December 2017. Other includes market reviews and expiries in 2017.

## RETAIL PORTFOLIO

Six months to 30 June	2017	2016
Comparable income growth	3.8%	3.0%
Comparable total centre sales growth	3.4%	3.2%
Comparable specialty sales growth	2.1%	4.2%
Specialty sales (per square metre)	\$11,100 <sup>1</sup>	\$10,766 <sup>2</sup>
Specialty occupancy costs	16.8% <sup>1</sup>	17.1% <sup>2</sup>
Occupancy	99.6% <sup>1</sup>	99.4% <sup>3</sup>
Weighted average capitalisation rate	5.28%	5.52%

1. Excludes development impacted centres (Wollongong Central, Macarthur Square and Sunshine Plaza).
2. Excludes development impacted centres (Wollongong Central and Macarthur Square).
3. Excludes development impacted centre (Macarthur Square).

The quality of GPT's retail assets underpinned another solid result for the portfolio, with 3.8 per cent like-for-like income growth over the first six months of 2017.

Property net income rose 6.4 per cent to \$128.6 million on the prior corresponding period with Rouse Hill Town Centre and Melbourne Central being the strongest performing assets. The portfolio achieved a valuation gain of \$120.6 million for the period.

The Retail portfolio's specialty moving annual turnover growth for the 12 months to 30 June was 2.1 per cent. The business also continues to achieve high sales productivity, with sales at \$11,100 per square metre across the portfolio.

Occupancy across the Retail portfolio remains high, at 99.6 per cent. The Retail leasing team negotiated 257 specialty leases during the six months, which were secured on average lease terms of 4.9 years and average fixed rent escalations of 4.8 per cent.

Construction works on the \$420 million redevelopment of Sunshine Plaza, which GPT has a 50 per cent interest, are progressing well and remain on track for completion in late 2018.

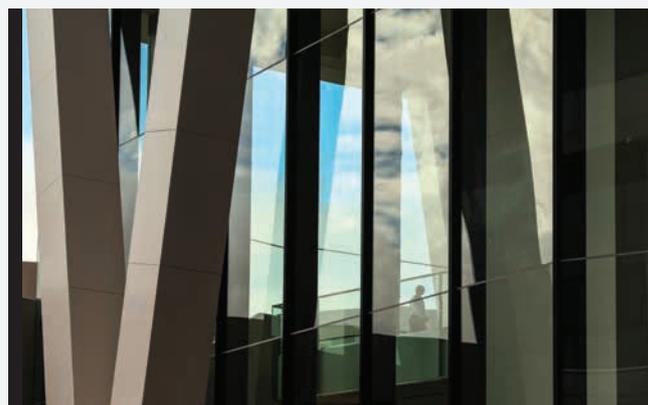
In March, the \$240 million expansion of Macarthur Square, in which the Fund has a 50 per cent interest, was completed, consolidating the asset's position as south-western Sydney's dominant shopping centre. The Macarthur Square expansion includes a new format David Jones, a new look Coles, a new Aldi, a full line Harris Scarfe, a refurbished Target, approximately 45 new specialty stores, a fresh market hall, a casual dining precinct and 550 additional car spaces.

Wollongong Central remains on track to deliver a new concept David Jones department store and food market, as well as 30 specialty stores, in October 2017. The development complements the \$200 million expansion of Wollongong Central which opened in 2014 and the entry of several leading retailers including H&M, TK Maxx and Anaconda.

After the end of the reporting period, GWSCF exercised its pre-emptive right to purchase a 25 per cent stake in Highpoint Shopping Centre for \$680 million, taking the Fund's interest in the asset to 83.33 per cent. As a result of this transaction, Highpoint Shopping Centre is now 100 per cent owned by GPT and GWSCF.

## OFFICE PORTFOLIO

Six months to 30 June	2017	2016
Comparable income growth	5.8%	6.0%
Occupancy	97.4%	97.3%
Weighted average lease expiry	5.3 years	5.3 years
Leases signed	49,300 sqm	41,000 sqm
Weighted average capitalisation rate	5.25%	5.58%



The Office portfolio delivered strong results for the six months to 30 June 2017, with comparable income growth of 5.8 per cent.

The portfolio achieved a \$321.2 million valuation increase during the period, which was driven by strong rental growth and the portfolio's weighted average capitalisation rate (WACR) firming 30 basis points to 5.25 per cent. The assets to record the strongest valuation gains were the MLC Centre, Citigroup Centre, Australia Square and 1 Farrer Place.

The Office team during the six months signed or agreed to 141,000 square metres of new leases, with portfolio occupancy at 97.4 per cent at the end of the period.

Following the end of the reporting period, the design competition for the Group's newly acquired site at 32 Smith Street, Parramatta, was completed. The panel awarded design excellence to a submission from Fender Katsalidis Architects for a 26,000 square metre prime office development which will feature a public events space, tree-covered sky deck and elevated podium facing the Parramatta River. Construction on the building is planned to commence by mid-2018 but remains subject to a pre-commitment.

Works have also started on the Group's 15,700 square metre A Grade office building at 4 Murray Rose, Sydney Olympic Park. The NSW Rural Fire Service is expected to move into the building in late 2018.

Discussions are continuing with authorities on the proposed Cockle Bay Wharf redevelopment, which will include up to 70,000 square metres of premium office and retail space and one hectare of green public space linking the Sydney CBD to Darling Harbour. An initial development application has been lodged and the owners expect to lodge a submission addressing the public domain of the proposed project by the end of 2017.

## LOGISTICS PORTFOLIO

Six months to 30 June	2017	2016
Comparable income growth	3.8%	0.1%
Occupancy	95.0%	92.7%
Weighted average lease expiry	8.0 years	7.9 years
Weighted average capitalisation rate	6.39%	6.81%

The Logistics portfolio delivered like-for-like income growth of 3.8 per cent for the period.

Property net income was \$46.1 million for the period in line with the previous corresponding period, following the 2016 divestment of the Kings Park asset.

The Logistics team signed 139,400 square metres of leases during the six months, with total occupancy across the portfolio at 95 per cent at 30 June. The weighted average lease expiry across the portfolio at the end of the period was eight years.

The portfolio's WACR firmed 39 basis points to 6.39 per cent over the period, driving a valuation gain of \$38.2 million.

GPT progressed several logistics developments during the period. The Group delivered a 18,000 square metre facility at Abbott Road, Seven Hills in Sydney, which is now fully leased. The refurbishment of the newly acquired 21,000 square metre facility at Huntingwood in Sydney was completed, where a tenant was secured for a 10 year term.

Works also commenced during the half at Eastern Creek Drive in Sydney, where the Group has development approval for a 25,600 square metre facility. The facility is expected to be complete in the final quarter of 2017. Site works also commenced on a planned 30,000 square metre facility at Old Wallgrove Road, Eastern Creek which is targeted for completion in the second half of 2018.

During the period, a 3.27 hectare site at the Metroplex business park in Wacol, which will include Volvo Group Australia's new headquarters, was sold for \$35.25 million. Construction was also completed on a 4,075 square metre facility on a site acquired by GPT at Metroplex, which has been leased on a 15 year term to Loscam Australia.

## FUNDS MANAGEMENT

The GPT Funds Management platform comprises of the GPT Wholesale Office Fund (GWOF) and GPT Wholesale Shopping Centre Fund (GWSCF).

### GPT Wholesale Office Fund (GWOF)

GWOF delivered a strong Total Return of 13.5 per cent for the 12 months to 30 June 2017.

During the period, GWOF sold 545 Queen Street Brisbane for \$70.5 million completing its divestment of the non-core assets it had identified in its portfolio as part of its new 10 year strategy.

### GPT Wholesale Shopping Centre Fund (GWSCF)

GWSCF delivered a return of 13.4 per cent for the 12 months to 30 June 2017.

In February, GWSCF investors approved the new terms for the Fund ahead of its tenth anniversary. The new terms included the abolition of the GWSCF performance fee and the establishment of an Investor Representation Committee.

GWSCF successfully concluded its liquidity review process in May, where the Fund received liquidity requests for 2.4 per cent of issued capital. All of the securities offered as part of the liquidity offer were acquired by existing investors in GWSCF.

## SECURITYHOLDER INFORMATION

For full details of the Group's recent announcements, activities and Interim Result information, visit the GPT website [www.gpt.com.au](http://www.gpt.com.au). To access information about your holding in GPT online, visit GPT's Registry website <https://investorcentre.linkmarketservices.com.au>.

### Annual Tax Statement

By now, all securityholders should have received their Annual Tax Statement, either electronically or by mail. If you have not received your Statement, please contact GPT's Registry.

Securityholders are encouraged to read the Guide to The GPT Group Annual Tax Statement which accompanied the Statement. The Guide is also available on the GPT website.

### Receive Securityholder Updates Electronically

Sustainability is core to GPT's vision and values. As part of our sustainability initiatives we would like to offer you the opportunity to receive notification of GPT's investor communications electronically. As an investor you will benefit by receiving prompt information and have the convenience and security associated with electronic delivery. There are also significant cost savings associated with this method of communication and above all this is a responsible and environmentally friendly option.

To receive your investor communication electronically, please go to [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and register for online services.



## Ask GPT's CEO

The team at GPT values investors' feedback. If you have any questions or comments for GPT's CEO, simply email [gpt@gpt.com.au](mailto:gpt@gpt.com.au) or send a letter to The GPT Group, Level 51, MLC Centre, 19 Martin Place, Sydney NSW 2000.

For more information

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## SECURITYHOLDER SERVICES

### Access Your Investment Online

You can access your investment online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au), signing in using your SRN/HIN and postcode. Functions available include updating your address details and downloading a PDF of your Annual Tax Statement.

Also online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) are regularly requested forms relating to payment instructions, name corrections and changes, and deceased estate packs.

For assistance with altering any of your investment details please contact GPT's Registry, Link Market Services.