29 October 2014

September Quarter Operational Update

Key Highlights

- 2014 earnings guidance upgraded to at least 4 per cent earnings per security (EPS) growth
- Strong leasing momentum across the office portfolio continued with a further 62,670 sqm of leasing activity during the September 2014 quarter
- Significant office leasing progress at the MLC Centre, with 17,160 sqm of new leases and renewals agreed in the year to date
- Retail specialty sales up 3.2 per cent over the year
- $1.9 billion in transactions year to date
- Successful launch of the GPT Metro Office Fund and $872 million of new equity raised for the GPT Wholesale Office Fund (GWOF) and the GPT Wholesale Shopping Centre Fund (GWSCF)
- 29 per cent growth in funds under management (FUM) for the year to date

The GPT Group (GPT) today announced its operational update for the September 2014 quarter.

GPT CEO and Managing Director, Michael Cameron said the September quarter was one of high activity across GPT's portfolio of assets.

"With solid retail sales growth figures and significant office leasing achieved, coupled with considerable growth in our Funds Management business and the successful launch of the GPT Metro Office Fund, we have made strong progress towards our strategic goals," Mr Cameron said.

"We are also pleased to announce an upgrade to our earnings guidance targeting to achieve at least 4 per cent earnings per security (EPS) growth for the 2014 full year, demonstrating our strategy is delivering value for securityholders."

$776 million in Transactions during the Quarter

During the quarter, GPT and GWOF each acquired a 50 per cent interest in CBW, otherwise known as 'Corner of Bourke and William' in Melbourne for a total $608.1 million. In addition, GWSCF acquired a further 8.33 per cent interest in Highpoint Shopping Centre for $154.3 million from the Highpoint Property Group. These transactions took total acquisitions for the Group to $1.9 billion since the start of 2014. During the period, GPT also divested of a non-core logistics asset at 134-140 Fairbairn Road, Sunshine West for $13.5 million. The price achieved was at a premium to book value.

GPT is also pleased to announce, following the end of the quarter, it has concluded an agreement for the sale of 818 Bourke Street in Melbourne for $152.5 million, reflecting an internal rate of return (IRR) since acquisition of 11 per cent. The decision to dispose of the asset took into account GWOF's recent purchases in Melbourne, which have provided enhanced exposure to the Docklands precinct, as well as the Group's recent acquisition of CBW.

"We have achieved rewarding outcomes from effective portfolio management, through the acquisition of CBW, and divestment of 818 Bourke Street and Fairbairn Road, and we will continue to maintain our active approach to managing the assets in our portfolio," Mr Cameron said.

Retail Sales Growth

As at 30 September 2014, comparable specialty moving annual turnover (MAT) growth was 3.2 per cent, with total centre MAT growth of 1.1 per cent. For the quarter, specialty sales growth was up 4.3 per cent on the September 2013 quarter.

“We are pleased to see a return to long term trends in retail sales growth. At our centres, occupancy cost remained steady and specialty productivity further improved during the quarter,” Mr Cameron said.

Office Leasing Update

The leasing momentum across the office portfolio continued during the quarter with a further 62,670 sqm of leasing activity, comprising both signed leases and Heads of Agreement. This has brought total leasing activity for the year to 30 September 2014 to 168,520 sqm. The quantum of leasing has significantly improved the future lease expiry profile of the portfolio and has improved occupancy to 93.1 per cent.

At the MLC Centre, GPT continues to make good progress on multiple workstreams including the office leasing program, food court works and planning for the retail redevelopment. Importantly for the Group, strong leasing progress has been achieved in the office tower with 17,160 sqm of new leases and renewals agreed in the year to date. Significantly, in relation to the space vacated by Herbert Smith Freehills, 49 per cent has now been leased or is at Heads of Agreement. GPT continues to see robust enquiry levels at the MLC Centre for the remaining office space and expects to make further progress on leasing in the coming period.

“In a challenging market, we are focused on further de-risking future lease expiries with continued strong leasing outcomes at our assets. It is particularly pleasing to see the MLC Centre receive solid enquiry which the leasing team has worked to translate into leasing agreements. We look forward to welcoming our future tenants to the MLC Centre, with the end of trip facility and plaza retail redevelopment currently underway to further enhance the amenity of the asset,” Mr Cameron said.

Logistics Leasing Update

The Group continues to make good progress on leasing within the logistics portfolio with a focus on managing future lease expiry. Total leasing activity during the September 2014 quarter was 54,110 sqm.

Disciplined Capital Management

GPT continued to maintain a fortress balance sheet with gearing remaining low at 28.5 per cent as at 30 September 2014 and a weighted average cost of debt for the year to date of 4.8 per cent.

During the quarter, GPT successfully issued $150 million 6 year medium term notes (MTN) at a fixed coupon of 4.5 per cent which was priced at a margin of 120 basis points over BBSW. The initial target offering of $100 million was increased to meet additional demand, after being three times oversubscribed.

Mr Cameron said the MTN issuance continues the Group’s capital management strategy of diversifying its capital sources and maintains a long weighted average debt maturity of 5.6 years.

Funds Management

The Funds Management business has experienced significant growth this calendar year, increasing GPT’s funds under management (FUM) by 29 per cent from $7.1 billion to $9.2 billion over the year to date, including acquisitions post the end of the September 2014 quarter and the launch of the GPT Metro Office Fund (Metro).

“The September quarter saw continued momentum towards our strategic goal of increasing FUM with the platform poised for further growth in the December 2014 quarter. Our two wholesale Funds continue to perform solidly and have experienced robust demand from investors, raising $872 million in new equity during the quarter,” Mr Cameron said.

GWOF and GWSCF successfully completed capital raisings, following the completion of several major transactions. GWOF was initially seeking to raise $250 million which was subsequently upscaled to $450 million as a result of high demand and to fund the CBW acquisition. GWSCF secured $422 million in new equity, exceeding its target of $400 million, to fund the acquisitions of Northland Shopping Centre and an additional interest in Highpoint Shopping Centre.

The Funds Management platform continues to perform well with GWOF and GWSCF delivering total fund level returns over the year ended 30 September 2014 of 11.6 per cent and 6.2 per cent respectively.

Post the end of the quarter, GPT successfully launched Metro, a new ASX listed real estate investment trust with a quality portfolio of six A-grade metropolitan and business park office properties, across Sydney, Brisbane and Melbourne, valued at approximately $376 million as at 30 September 2014.

“The successful launch of Metro and the significant capital raisings in the wholesale Funds are further examples of GPT executing on its strategy to increase the earnings contribution from its Funds Management business,” Mr Cameron said.

Development

The $210 million Wollongong Central expansion, developed on behalf of GWSCF, was successfully launched on 9 October 2014. The project has delivered an additional 19,000 sqm of new retail space, spanning across three levels comprising a new format Target, Coles and over 80 new retailers, many of which are firsts for the Illawarra region.

Sustainability

With sustainability firmly embedded in the business, GPT has received further recognition of its sustainability achievements. GPT has again been rated number one in the real estate category in the Dow Jones Sustainability Index (DJSI) for 2014/15 as well as recently being the first to achieve a Green Star - Performance rating at 800/808 Bourke Street in Melbourne.

Outlook

“As a result of the solid progress on our key 2014 business objectives, GPT has upgraded its earnings guidance, targeting to achieve growth in earnings per security of at least 4 per cent for the full year 2014,” Mr Cameron said.

“We are also on track to meet our Total Return target of greater than 9 per cent for the year.”

– Ends –

For further information please contact:

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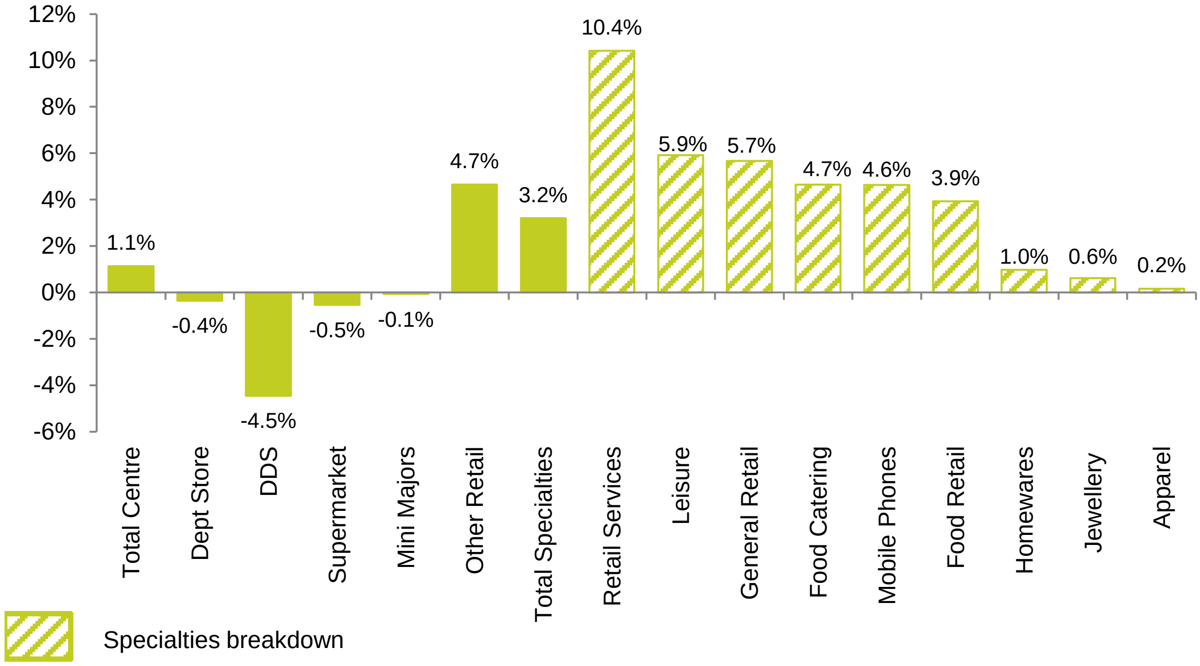
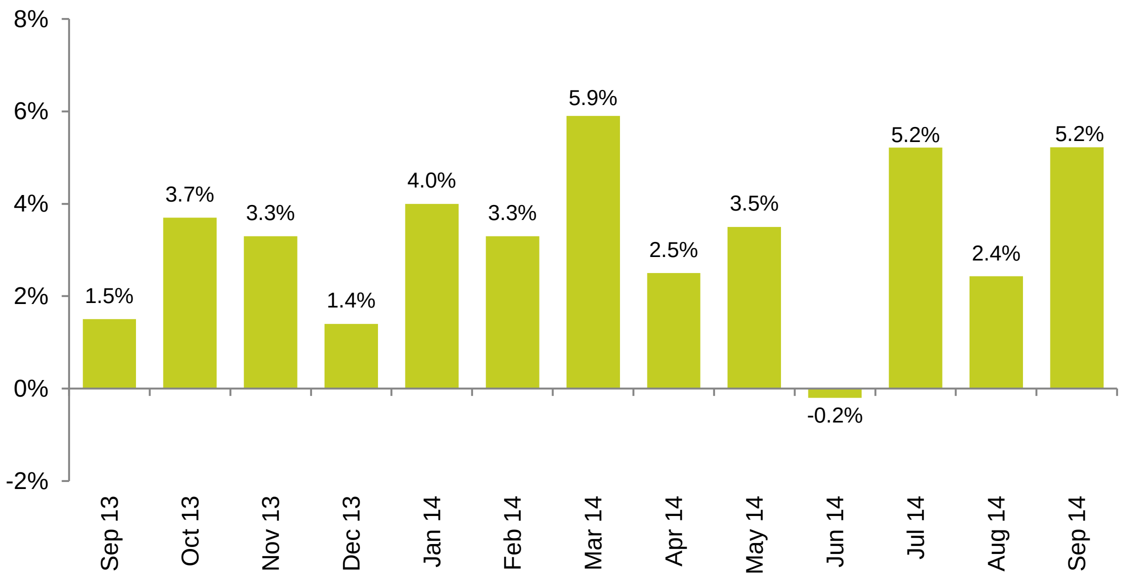
APPENDIX 1 – RETAIL SALES

Comparable Change in Annual Retail Sales Growth by Category



Includes 100 per cent GPT and GWSCF assets, excludes development impacted assets and Northland Shopping Centre. Growth for the 12 months compared to the prior 12 months.

Specialty Monthly Sales Growth



Includes 100 per cent GPT and GWSCF assets, excludes development impacted assets and Northland Shopping Centre. Growth for the month compared to the corresponding month in the prior year.

The GPT Group

Retail Portfolio Sales Performance by Centre

Centre Name	Ownership	Moving Annual Turnover (MAT) Centre MAT ($psm)	Comparable Centre MAT Growth	Specialty MAT ($psm)	Comparable Specialty MAT Growth	Occupancy Costs Centre (%)	Specialty (%)
Casuarina Square	GPT/GWSCF	8,549	1.7%	11,088	1.7%	9.8%	15.5%
Charlestown Square	GPT	6,447	3.9%	9,487	4.1%	11.2%	16.6%
Chirnside Park	GWSCF	7,521	(6.9%)	10,673	(1.6%)	8.1%	16.3%
Forestway	GWSCF	16,756	2.4%	10,597	(0.7%)	6.4%	15.6%
Melbourne Central Retail	GPT	8,047	5.3%	9,691	3.2%	18.0%	21.6%
Macarthur Square	GWSCF/APPF	6,237	1.5%	9,303	5.4%	11.2%	17.5%
Norton Plaza	GWSCF	14,001	2.1%	11,495	5.1%	6.2%	13.4%
Parkmore	GWSCF	7,060	0.4%	8,430	2.3%	8.0%	15.2%
Rouse Hill Town Centre	GPT	6,720	4.4%	7,566	8.3%	9.0%	14.7%
Sunshine Plaza	GPT/APPF	8,317	(0.2%)	11,322	1.3%	11.4%	18.7%
Westfield Penrith[1]	GPT/Scentre	7,292	(0.4%)	11,031	4.7%	12.2%	18.5%
Westfield Woden[1]	GWSCF/Scentre	6,057	(1.3%)	8,509	(1.5%)	12.1%	20.3%
Total		**7,297**	**1.1%**	**9,744**	**3.2%**	**11.1%**	**17.8%**
Centres Under Development							
Dandenong Plaza	GPT	4,813	(9.3%)	6,291	(6.9%)	11.0%	18.2%
Highpoint Shopping Centre	GPT/GWSCF/HPG	6,272	15.8%	9,595	14.2%	14.2%	20.8%
Wollongong Central	GWSCF	5,088	(4.0%)	8,840	(1.0%)	14.5%	18.9%
Assets Acquired							
Northland Shopping Centre[2]	GWSCF/CFS	5,781	1.6%	8,117	2.2%	13.8%	21.4%

1. Analysis provided by Scentre
2. Analysis provided by CFS.

GPT reports in accordance with the Shopping Centre Council of Australia guidelines.

APPENDIX 2 – PORTFOLIO REVALUATIONS

	Ownership	As at 30 June 2014 Fair Value ($m)	As at 30 June 2014 Cap Rate (%)	As at 30 September 2014 Fair Value ($m)	As at 30 September 2014 Cap Rate (%)
GPT Portfolio					
Highpoint Shopping Centre[1]	16.67%	307.7	5.50%	327.9	5.25%
GWSCF Portfolio					
Highpoint Shopping Centre[1,2]	58.33%	922.7	5.50%	1,147.7	5.25%
GWOF Portfolio					
HSBC Centre, Sydney	100%	341.6	7.00%	343.0	6.88%
workplace[6], Sydney	100%	173.1	7.00%	180.0	6.75%
530 Collins Street, Melbourne	100%	444.2	6.50%	469.0	6.38%
Transit Centre, Brisbane	50%	62.5	9.00%	60.1	9.00%
545 Queen Street, Brisbane	100%	86.5	7.75%	84.0	7.75%

1. Fair value includes Homemaker City Maribyrnong. Cap rate of 9.00% at 30 June 2014 and 8.50% at 30 September 2014.
2. Fair value at 30 June 2014 based on 50 per cent interest in Highpoint Shopping Centre. GWSCF acquired a further 8.33 per cent on 1 September 2014.