

10 August 2020

GPT records net loss of \$519.1 million for the half year primarily due to negative property valuation movements, and FFO of \$244.5 million.

1H 2020 Overview

- Net loss after tax of \$519.1 million, primarily due to negative property valuation movements of \$711.3 million
- Funds From Operations (FFO) of \$244.5 million resulting in FFO per security of 12.55 cents, a decline of 23.3 per cent on the prior corresponding period (pcp). The FFO result includes the impact of the application of the commercial tenancies Code of Conduct
- Interim distribution per security of 9.30 cents, representing a payout ratio of 99.6 per cent of free cash flow
- Net Tangible Assets of \$5.52 per security, representing a decline of 4.8 per cent on 31 December 2019 primarily as a result of the decline in property valuations
- Completed three logistics developments with a combined value of \$89.1 million and a weighted average lease expiry of 7.5 years
- Acquired two logistics facilities for \$74.6 million with a weighted average lease expiry of 7.6 years
- Issued \$300 million of 12-year medium term notes at a margin of 160 basis points
- Gearing of 25.1 per cent, a weighted average debt term of 7.8 years and a weighted average cost of debt of 3.1 per cent

While the Group commenced 2020 with solid momentum, the period has been overshadowed by the unprecedented measures implemented in response to the COVID-19 pandemic. The effect of these measures on the operations of our assets was most pronounced in the retail sector, where physical distancing and mobility measures implemented by government resulted in challenging trading conditions for many of our tenants.

In April, the National Cabinet announced the introduction of the commercial tenancy Code of Conduct (Code) requiring landlords to provide rental relief to qualifying tenants impacted by the government measures. The Group has also agreed to provide relief to some tenants who are not eligible for assistance under the Code but whose businesses have been significantly impacted by the pandemic, primarily in the retail sector. As a consequence of both the challenging environment and the Code, rent collection from our retail tenants fell sharply in the second quarter. Negotiations are continuing with our tenants on a case by case basis. The Stage 4 restrictions recently announced by government for Victoria has also created additional uncertainty.

GPT's Chief Executive Officer, Bob Johnston, said: "The health and safety of our people, our customers and the public has been our first priority through the period. We have continued to engage with our tenants to provide appropriate levels of support. Our aim is to ensure that we can all emerge from the pandemic in a sustainable position."

All properties in the portfolio were independently valued during the period, resulting in a devaluation of \$711.3 million.

Commenting on the revaluations, GPT's Chief Executive Officer Bob Johnston said: "We have had all our assets revalued during the period with our retail assets revalued by independent valuers in May and again at the end of June as the effects of the pandemic were becoming more apparent. The independent valuers have made allowances for both the near term impacts of the pandemic and also the effects that it is expected to have on the broader economy."

The Group's balance sheet remains in a strong position with \$1.2 billion of available liquidity held in cash and undrawn bank facilities and less than \$5 million of debt maturing through to December 2021. The Group maintains A / A2 credit ratings from S&P and Moody's respectively. The Group has taken a number of steps to ensure its balance sheet position remains solid, including the deferral of planned retail expansion of the Rouse Hill Town Centre and the Melbourne Central office and retail development. In addition, non-essential capital expenditure and discretionary spend has been curtailed, and the Group has withdrawn the 2020 Short Term Incentive Plan and the 2020-2022 Long Term Incentive Plan.

Commenting on the Group's capital position, GPT's Chief Executive Officer Bob Johnston said: "We are well placed to navigate through the pandemic period. We have been prudent in the way we have managed the business. We have a strong balance sheet and liquidity of \$1.2 billion that ensures that we are also well positioned to continue to execute on our strategy."

The Group is also forging ahead with its sustainability goals and has set a target for all GPT managed assets to be operating on a carbon neutral basis by 2024. This represents a significant advance on the previous target of 2030 and reaffirms GPT's leadership position in sustainability.

Office

Office occupancy was 94.4 per cent as at 30 June 2020, with 37,800 square metres of leases signed in the period and an additional 19,600 square metres of Heads of Agreement in place. The weighted average lease expiry (WALE) of the portfolio is currently 5.2 years.

The Office portfolio recorded a net valuation decline of 1.7 per cent, primarily related to adjustments adopted by valuers for pandemic-related impacts. The Weighted Average Capitalisation Rate (WACR) of the portfolio at 30 June 2020 remained unchanged at 4.85 per cent while the average discount rate firmed by nine basis points to 6.32 per cent.

The Group's development at 32 Smith Street in Parramatta is on track for completion in early 2021 and is targeting a 6 star Green Star environmental rating. The office tower is currently 64 per cent leased including terms agreed, with QBE anchoring the development. Leasing enquiry for the balance of the space remains positive.

In Sydney, the Cockle Bay Park development has moved toward the final phase of planning with Henning Larsen selected as the winner of the international design competition. The development remains subject to a precommitment and is not expected to commence before 2022.

Reinforcing the Group's leadership position in sustainability, One One One Eagle Street, Brisbane, received carbon neutral certification during the period, which follows on from the certification of both workplace6 in Sydney and 8 Exhibition Street, Melbourne. As a result, the GPT Wholesale Office Fund (GWOF) portfolio remains on track to achieve its carbon neutral target by the end of 2020.

Logistics

The portfolio recorded a 2.3 per cent valuation increase during the period, with the WACR firming 11 basis points to 5.29 per cent and the average discount rate firming by 22 basis points to 6.39 per cent.

Logistics occupancy increased to 99.8 per cent, with 118,300 square metres of leases signed and terms agreed across a further 8,700 square metres. The WALE of the Logistics portfolio is 6.9 years at 30 June.

During the period the Logistics portfolio grew through a combination of acquisitions and development completions, totalling \$164 million, which contributed to an increase in the value of the portfolio of 8.4 per cent to \$2.64 billion as at 30 June. Two developments were completed at Wembley Business Park in Brisbane and a new facility at Pine Road, Yennora, in Sydney was also completed. All assets were fully leased on completion. The acquisition of a fully leased facility at Port Melbourne was completed for \$32.4 million, and the Group also settled on the acquisition of a new 23,800 square metre facility in Truganina, Melbourne, for \$42.2 million.

In Sydney, the Group's recently acquired 33.4 hectare land holding at Kemps Creek achieved an important milestone, with the land rezoned in June. The precinct is located in close proximity to the M4 & M7 interchange, the future Western Sydney Airport and the proposed Western Sydney freight intermodal terminal. Subject to final planning approvals, the site is expected to have an end value on completion of approximately \$445 million.

In Western Sydney, the Group currently has two development projects underway with an expected end value of \$129 million. At Penrith, a 50,100 square metre facility is due for completion in the second half of 2020 and is leased for a 10 year term. Works have also commenced on a speculative project at Glendenning which is due for completion in early 2021.

The Group's underway projects and development pipeline has capacity to deliver over 500,000 square metres of prime facilities with an expected end value on completion of approximately \$1 billion.

Retail

The Retail portfolio commenced the year with positive sales growth, with monthly Combined Specialty sales up 3.0 per cent in January and up 4.9 per cent in February (year on year). The introduction of government measures and restrictions to contain the spread of the COVID-19 pandemic in March resulted in lower levels of foot traffic and a reduction in the number of stores trading, which contributed to a significant decline in retail sales across the portfolio. As a result, at 30 June specialty sales productivity was \$9,910 per square metre.

The portfolio occupancy as at 30 June was 98.0 per cent. The Group completed 173 leasing deals in the six months to 30 June, achieving fixed rental increases averaging 4.7 per cent and an average lease term of 4.5 years.

The Group undertook independent valuations for the entire retail portfolio as at 30 June, which resulted in a negative revaluation of 10.5 per cent. The weighted average capitalisation rate expanded by 15 basis points to 5.04 per cent, while discount rates firmed 27 basis points to 6.35 per cent.

In June, as government restrictions were relaxed, we have been encouraged by the performance of our assets, with customer visitations trending back to 2019 levels and 91 per cent of stores open for business. Whilst the current situation in Victoria represents a setback

to activity at our Melbourne assets, given the quality of our portfolio we remain optimistic of a similar recovery when government measures are lifted.

Funds Management

Funds management earnings increased by 6.6 per cent over the previous corresponding period to \$24.2 million, driven by the growth in GWOFF. The GPT Wholesale Shopping Centre Fund performance over the period was impacted by the effects of COVID-19, resulting in a 16.3 per cent fall in asset valuations.

GWOFF's development pipeline was enhanced during the period following the acquisition of three neighbouring sites along George Street, Parramatta, in a transaction worth approximately \$75 million. The amalgamated site, which is strategically located in the heart of the Parramatta CBD and in close proximity to the proposed Sydney Metro West station, represents a medium-term development opportunity for the Fund and is expected to be able to accommodate up to 75,000sqm of prime office space. The acquisition increases GWOFF's development pipeline to approximately \$3 billion (estimated end value).

GWOFF raised \$289 million of new capital from a combination of new and existing domestic and foreign investors during the period. The successful completion of the capital raising underpins the Fund's strong capital position, leaving the Fund well placed to take advantage of future growth opportunities, including those from within its development pipeline.

1H 2020 Distribution Announcement

As announced on 9 June, GPT has determined that the timing of the declaration of its distributions will coincide with the release of the Group's financial results in February and August each year and will be determined on a free cash flow basis.

Accordingly, the Group is announcing a distribution for the six months to 30 June 2020 of 9.30 cents per ordinary stapled security, which represents 99.6 per cent of free cash flow. The payment will be made in accordance with the following timetable:

- Ex-distribution date: Thursday, 13 August 2020
- Record date: Friday, 14 August 2020
- Payment date: Friday, 28 August 2020

Outlook

Commenting on the outlook, GPT's Chief Executive Officer Bob Johnston said: "GPT remains well placed despite the current uncertainty with a strong balance sheet, a high-quality portfolio of assets and a very experienced management team. We are focused not only on the current pandemic situation but also on positioning the business for the future. It is clearly a very challenging time for Australia, in particular Victorians, and we are doing what we can to support our people, customers, tenants and the community."

Given the unprecedented circumstances that continue to evolve in relation to the COVID-19 pandemic, including the Stage 4 restrictions that became effective in Melbourne on 5 August, GPT is not providing FFO or distribution guidance for the full year 2020 at this time.

Market Briefing

GPT will conduct a market briefing at 10.00am (AEST) today, 10 August, which can be accessed via teleconference, or webcast at <https://publish.viostream.com/app/s-n5ewo87>.

Please note that the market briefing is not open for attendance in-person.

Teleconference details

Conference ID: 10007194

Australia dial in: 1800 558 698

International dial in: +61 7 3145 4010

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Authorised for release by the GPT Group Board.

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