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GDI PROPERTY GROUP

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Half year results presentation

22 February 2021

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A solid start to FY21 – Development and capital markets

WS2, Perth

Architectural drawings only

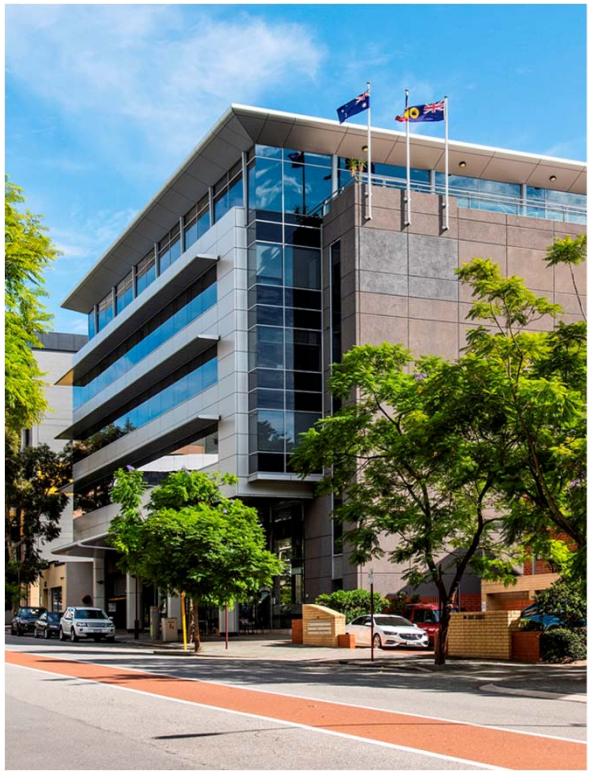
- DA approved
- Construction targeted to commence mid 2021
- Completion in late 2022

1 Mill Street, Perth

Architectural drawing only

- DA lodged with planning authority for approval
- Demolition to commence prior to 30 June 2021, subject to relevant approvals
- Seeking tenant precommitment(s)

180 Hay Street, Perth



- Settled July 2020, with an immediate uplift in value from the purchase price (+$2.2 million)
- Capex programme well underway
- Numerous inspections to potential all of property and multi-floor tenants

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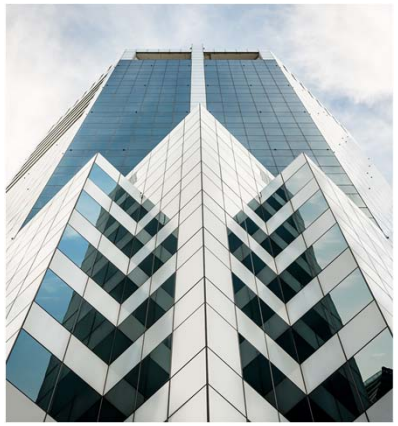
A solid start to FY21 - Leasing

Westralia Square, Perth

- Level 11 leased to Cash Converters for 10 years
- Level 12 under a heads of agreement for a new 6.5 year lease commencing early 2022
- Strong interest in level 7, which when leased only six levels (13 – 18) vacant



50 Cavill Ave, Surfers Paradise

- Major tenant extended for five years and is currently negotiating to double its occupancy

Mill Green, Perth

- Two new leases at 197 St Georges Terrace
  - Level 13 leased to Laing O'Rourke for five years 1 February 2021
  - Suite on level 10 (209sqm) leased for five years commencing 1 June 2021
- Momentum rebuilding at 5 Mill Street

Funds Management

- Two new leases of the peripheral sites at 6 Sunray Drive, Innaloo (GDI No. 43 Property Trust)
- New 3-year lease for 816sqm to Services Australia at Stanley Place (GDI No. 42 Office Trust) with interest in most of the vacant space
- New 8-year lease to Lycopodium commencing 1 July 2020 for 4,628sqm at 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Office Trust)

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But still a lot more to do…

Leasing

- Significant leasing opportunities remain at
  - 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Trust)
  - 180 Hay Street, Perth
  - Westralia Square, Perth
  - 235 Stanley Street, Townsville (GDI No. 42 Office Trust)
  - 5 Mill Street, Perth

Capital markets

- Continue to review acquisition opportunities for both the Property business and Funds Management business, focusing on markets demonstrating the strongest near to medium term growth prospects

- Accelerate the sell down of the strata suites at
  - 251 Adelaide Terrace, Perth (GDI No. 29 GDI Office Fund)
  - 10 Market Street, Brisbane (GDI No. 33 Brisbane CBD Trust)

- Monitor opportunities to exit 50 Cavill Avenue, Surfers Paradise

Capex and development

- Progress the development opportunities at WS2 and 1 Mill Street, Perth

- Complete/progress the capex works programmes at
  - Westralia Square, Perth
  - 180 Hay Street, Perth

180 Hay Street, Perth

235 Stanley Place, Townsville

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FINANCIAL RESULTS

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Summary

NTA – $1.27 per security

- $0.03 decrease due mainly to:
  - Reduction in value of 197 St Georges Terrace ($-21.0 million)
  - Maintenance of distribution during leasing transition period

FFO of 2.6 cents per security

- Significantly lower per security during leasing transition period

Distribution of 3.875 cents per security

- Maintained distribution at prior year levels
- Intend to pay a further 3.875 cents per security for second half[1]

1. Subject to no material change in circumstances or unforeseen events and noting that we expect a proportion of any cash distribution for the second half will be paid out of capital.

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Contributors to FFO and AFFO

	Dec 20 $'000	Dec 19 $'000
Property Division FFO	**16,253**	27,033
Funds Management FFO	**3,651**	2,008
Other	**79**	14
Total	**19,983**	**29,054**
Less:		
Net interest expense	**(1,840)**	(955)
Corporate and administration expenses	**(4,047)**	(4,286)
Other	**157**	(3)
Total FFO	**14,252**	**23,811**
Maintenance capex	**(397)**	(2,153)
Incentives and leasing fees paid	**(5,562)**	(3,151)
Income tax expense / (benefit)	**(157)**	3
Total AFFO	**8,137**	**18,510**

- Property Division FFO significantly lower than previous corresponding period
  - Wrote off all rent waived in the period due to COVID-19 ($215,000)
  - Total written off due to COVID-19 now $733,000 ($518,000 previously disclosed at 30 June 2020)
  - Equates to 1.3% of property income in 2020
  - At Westralia Square, departure of UGL, transition of WAPOL from upper to lower levels and departure of Dept. of Justice meant FFO at Westralia Square was $9.6 million lower than the previous corresponding period
  - At Mill Green, FFO was slightly lower, largely due to the lower occupancy at 5 Mill Street
  - FFO at 50 Cavill Avenue unchanged on the previously corresponding period
- Funds Management FFO of $3.7 million (Dec 19: $2.0 million) includes:
  - Distributions from GDI No. 42 Office Trust ($0.4 million)
  - Distribution from GDI No. 46 Property Trust ($1.4 million)
- Net interest expense higher than Dec 19 due to higher amount of drawn debt, notwithstanding the lower interest costs
- Corporate and administration expenses in line with Dec 19, and includes a $500,000 accrual for FY21 bonuses
- Incentives and leasing fees paid relate mainly to the WAPOL lease at Westralia Square, and to various tenants at 197 St Georges Terrace

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Balance sheet remains in a strong position

Pro forma for post balance sheet events	Dec-20 $'000	Jun-20 $'000
Current assets		
Cash and cash equivalents	**7,106**	10,100
Non-current assets held for sale	**102,156**	102,240
Other assets	**18,865**	14,500
Total current assets	**128,126**	126,841
Non-current assets		
Investment properties	**843,681**	822,500
Other non-current assets	**2,103**	724
Intangible assets	**18,110**	18,110
Total non-current assets	**863,895**	841,685
Total assets	**992,021**	968,525
Current liabilities		
Trade and other payables	**26,787**	25,520
Other current liabilities	**737**	405
Total current liabilities	**27,524**	25,926
Non-current liabilities		
Borrowings	**192,428**	159,423
Derivative financial instruments	**447**	326
Other non-current liabilities	**1,199**	206
Total non-current liabilities	**194,074**	159,954
Total liabilities	**221,598**	185,880
Net assets	**770,423**	782,645
Equity		
Equity attributed to holders of stapled securities	**706,618**	721,403
Equity attributable to external non-controlling interest	**63,805**	61,242
Total equity	**770,423**	782,645

GDI No. 42 Office Trust (Stanley Place) $51.50 million
GDI No. 46 Property Trust (IDOM Portfolio) $105.85 million

GDI No. 42 Office Trust $10.00 million
GDI No. 46 Property Trust $30.00 million

GDI No. 42 Office Trust and GDI No. 46 Property Trust External Investors

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Debt profile and interest rate hedging

- As at 31 December 2020, drawn debt on the Principal Facility of $152.8 million and undrawn debt of $52.2 million
- Increase of drawn debt in Principal Facility to fund:
  - Acquisition of 180 Hay Street, Perth ($12.8 million)
  - Working capital requirements ($20.0 million)
- Board hedging policy gives management more flexibility around hedging, particularly when drawn debt is <$100.0 million
- Entered in to two swaps during the period:
  - $25.0 million 5-year swap expiring May 2025 (0.60%)
  - $25.0 million 3-year swap expiring May 2023 (0.38%)
- Drawn debt of GDI No. 42 Office Trust and GDI No. 46 Property Trust remains unhedged

			30 June 2020		
Principal Facility	**Secured**	**Maturity Date**	**Facility $'000**	**Utilised $'000**	**Unutilised $'000**
Tranche B, C	Yes	July 2022	205,000	152,833	52,168
Tranche D (BG)	Yes	July 2022	5,000	-	-
Total Principal Facility			**210,000**	**152,833**	**52,168**
Consolidated unlisted funds					
GDI No. 42 Office Trust	Yes	June 2022	11,500	10,000	1,500
GDI No. 46 Property Trust	Yes	February 2023	30,000	30,000	-
Total consolidated unlisted funds			**41,500**	**40,000**	**1,500**
TOTAL DEBT			**251,500**	**192,833**	**53,668**

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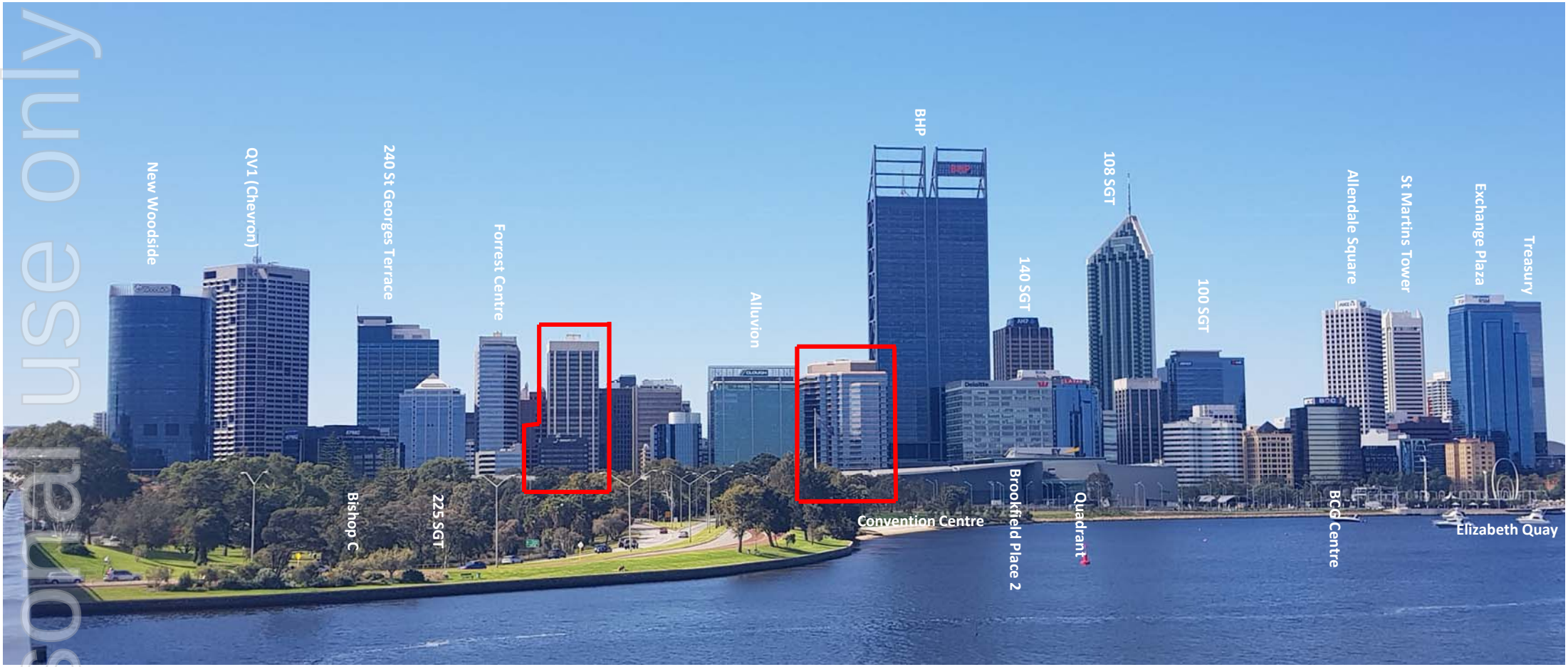
PROPERTY PORTFOLIO

Perth market



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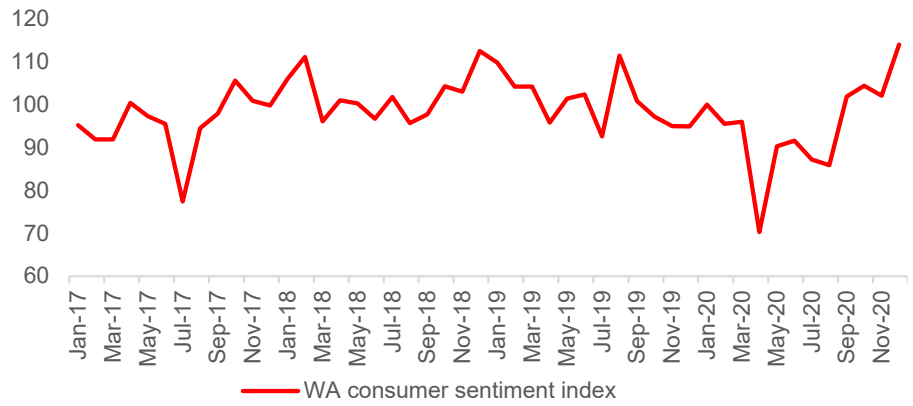
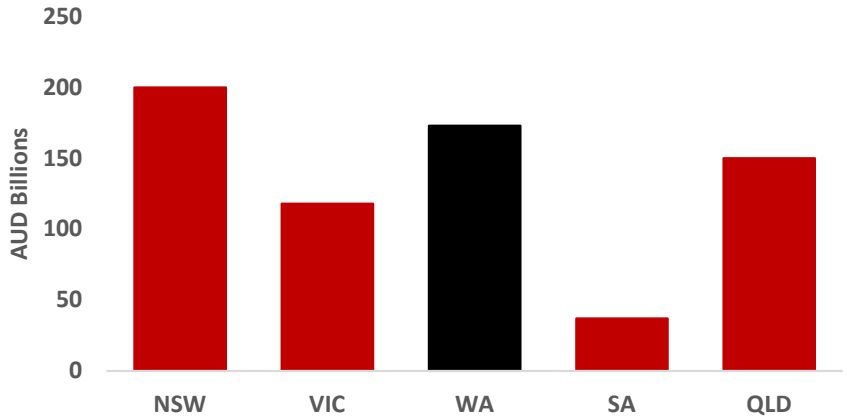
Portfolio strategically weighted towards Perth

WA Consumer sentiment index at 10-year highs



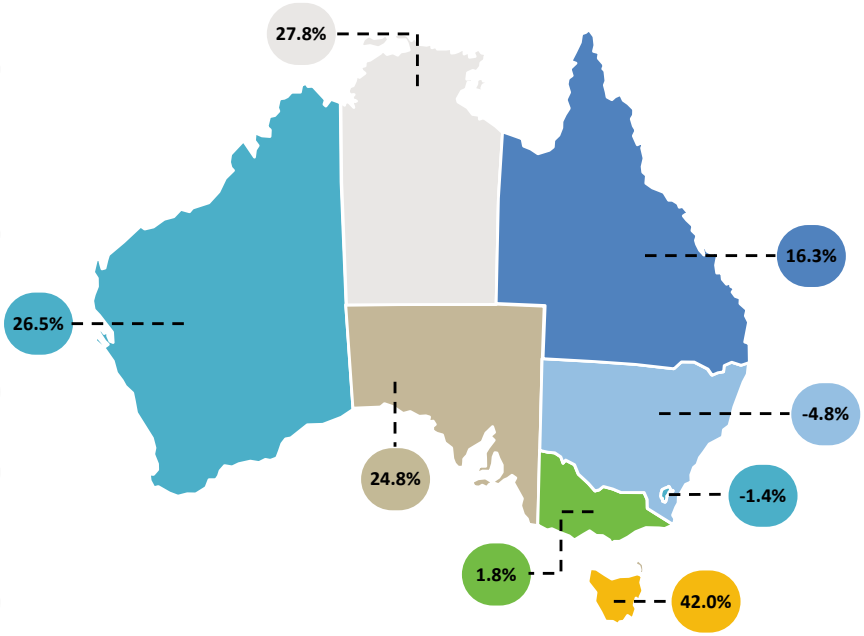
Source: JLL Research, ABS

Private infrastructure projects pipeline by state



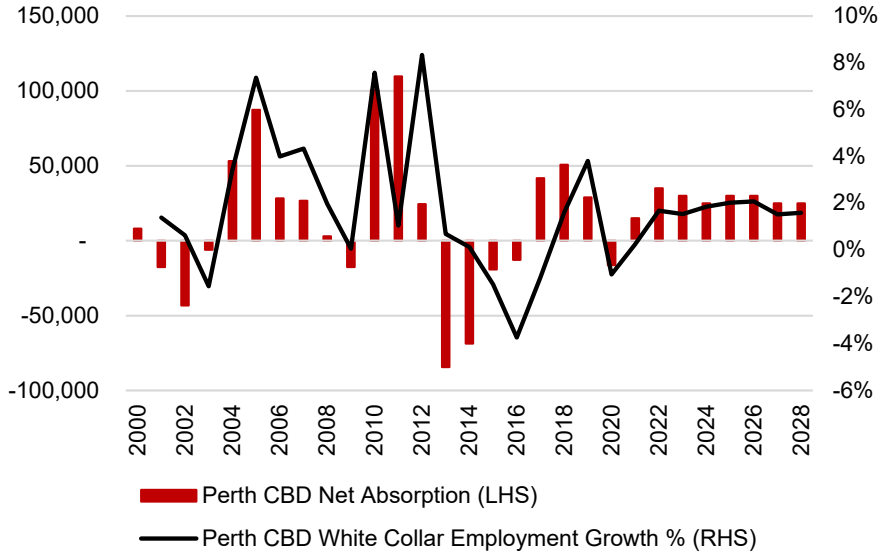
Source: JLL Research, ABS

National, state & territory job ad growth/decline comparing Jan 21 vs Jan 20



Source: SEEK Employment Report - 2021

Perth CBD Net Absorption vs White Collar Employment Growth



Source: JLL Research

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Portfolio overview

	Westralia Square, Perth	197 St Georges Terrace, Perth	5 Mill Street, Perth	1 Mill Street, Perth
Valuation date	31 December 2020	31 December 2020	31 December 2020	31 December 2020
Valuation	$345.00 million	$230.00 million	$56.00 million	$40.00 million
Carrying value	$345.00 million	$230.00 million	$56.00 million	$40.00 million
Valuation movement	+$17.50 million	-$21.00 million	-$2.5 million	+$6.5 million
Capitalisation rate	6.00%	6.75%	7.00%	7.75%
Discount rate	6.75%	7.00%	7.25%	7.5%
NLA (sqm)	32,598	26,216	7,148	6.649
Occupancy[1] (% of NLA)	63%	89%	68%	0%
WALE (years)	5.75 years	2.65 years	2.58 years	N/A
Major tenants (sqm / expiry)	WAPOL (12,289sqm, FY26)	AMEC (7,341sqm, FY23)	Knightcorp (1,044sqm, FY25)	N/A
	BDM (1,833sqm, FY27)	Jacobs (3,442, FY22)		N/A

1. As at 22 February 2021 and including heads of agreement.

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Portfolio overview

	50 Cavill Ave, Surfers Paradise	180 Hay Street, Perth	IDOM Portfolio, Perth	235 Stanley Place, Townsville
Valuation Date	30 June 2020	31 July 2020	31 December 2020	31 December 2020
Valuation	$101.00 million	$15.00 million	$105.85 million	$51.5 million
Carrying Value	$100.92 million	$15.33 million	$105.85 million	$51.5 million
Valuation movement	N/A	N/A	+$7.85 million	-$2.0 million
Capitalisation Rate	7.00%	8.00%	7.24%[2]	8.00%
Discount Rate	7.25%	8.25%	7.50%[2]	8.00%
NLA (sqm)	16,625sqm	4,925sqm		13,786
Occupancy[1] (% of NLA)	91%	0%	100%	58%
WALE (years)	2.73 years	N/A	9.92 years	4.92 years
Major Tenants	Mantra (2,771sqm, FY24)	N/A	Buick Holdings Pty Limited[3]	DHS (5,460sqm, FY27, FY24)
	Ray White (1,129sqm, FY22)			NDIS (1,161sqm, FY26)

1. As at 22 February 2021 and including heads of agreement.
2. Weighted average.
3. The tenant is either Buick Holdings Pty Limited (Buick), or wholly owned subsidiaries of Buick. Buick is owned 67% by IDOM Automotive Group Pty Limited, a wholly owned subsidiary of IDOM Inc, an entity listed on the Tokyo Stock Exchange and 33% by entities associated with the DiVirgilio family.

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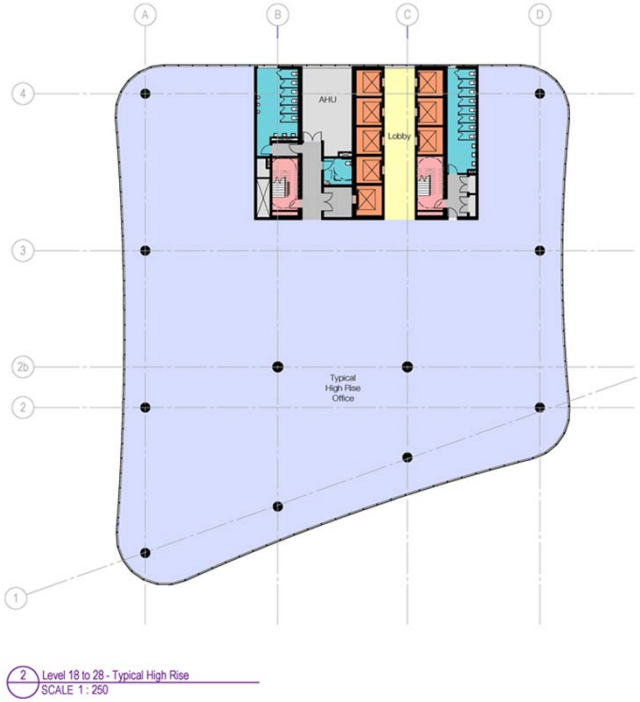
1 Mill Street, Perth

Architectural drawings only

- Development application submitted for the construction of a new 45,000sqm NLA office building including precinct upgrade to 5 Mill Street and 197 St Georges Terrace
- Demolition approval granted in December 2020. Demolition works anticipated to commence in first half of 2021 which will substantially improve speed to market of the office building
- Design development progressing to assist with market engagement for key tenants



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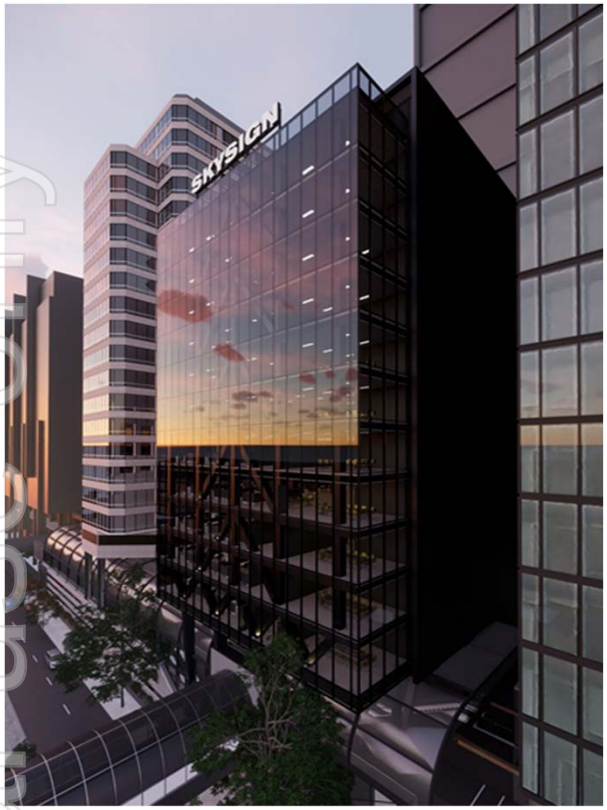
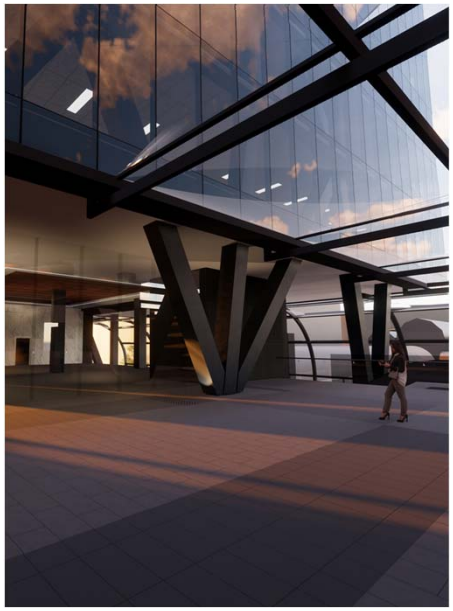
WS2





- Development Approval granted for new office building on surplus land
- Development scope includes for new 9,000sqm NLA timber/steel hybrid office building (WS2) and full precinct public realm upgrade to existing office building (WS1)
- Construction anticipated to commence around June 2021
- Total forecast costs of $63.0 million, including precinct works but excluding incentives and finance costs

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FUNDS MANAGEMENT

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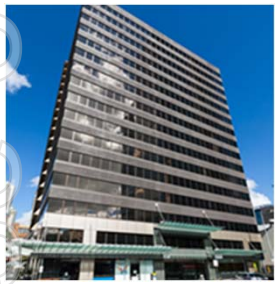
Funds Management business

GDI No. 29 Office Trust

- Originally a two-asset fund, now only holding 10 strata suites in 251 Adelaide Terrace
- 100 of the 112 strata suites sold with investors receiving $1.30 in capital back in addition to income distributions
- Looking for short term leasing of the remaining 10 suites as the Perth strata market reawakens



GDI No. 33 Brisbane CBD Office Trust

- Bought 10 Market Street, Brisbane in 2010 and decided to strata it in 2012
- Approximately 50% of NLA sold or in process of being sold
- Signs of improvement in the Brisbane strata market after several years of price pressure
- Anticipate an acceleration of sales at improved pricing levels

GDI No. 36 Perth CBD Office Trust

- Owns the iconic 1 Adelaide Terrace, Perth
- Investors had been receiving +10% distribution yield on their initial investment with units valued at $1.11
- Levels 6 and 7 (and part Level 4) vacancy creates an opportunity to add value by releasing and extending the WALE

GDI No. 38 Diversified Property Trust

- Originally a seven-asset portfolio purchased from UGL on a sale and leaseback basis with four of those assets now sold
- Investors have/are
  - received $0.605 of their initial capital
  - receiving +15% distribution yield on their remaining $0.395 of initial capital
  - a current unit value of $0.79
- Significant upside in Broadmeadow site on an alternative use basis

GDI No. 42 Office Trust

- Originally a two-asset fund with similar asset management plans
- Now only holding 235 Stanley Street, Townsville
- Opportunity to add significant value on releasing the vacancy created by the departure of the ATO in August 2020
- GDI holds an ownership interest of 43.68%

GDI No. 43 Property Trust

- Owns 6 Sunray Drive, Innaloo, home to Perth's only IKEA store
- IKEA's lease expires in February 2023, with IKEA having 3 x 5-year options
- Annual CPI rent reviews, with market reviews at expiry and at each option date
- Strategically located site between Sterling Station and Westfield Innaloo
- Potentially significant upside on an alternate use basis

GDI No. 46 Property Trust

- Owns 17 Perth metropolitan properties occupied by high profile car dealerships and service centres
- Long WALE of over 10 years, with the opportunity to add value through land amalgamations, capex and alternate uses (STCA)
- GDI holds an ownership interest of 47.19%

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APPENDIX

Profit or Loss

	GDI		Trust	
	Dec 20 $'000	Dec 19 $'000	Dec 20 $'000	Dec 19 $'000
Revenue from ordinary activities				
Property income	24,606	35,103	24,709	35,123
Funds management income	1,322	1,064	-	-
Interest revenue	53	45	49	40
Other income	56	-	18	-
Total revenue from ordinary activities	**26,037**	**36,212**	**24,776**	**35,162**
Net fair value gain/(loss) on interest rate swaps	(121)	-	(121)	-
Net fair value gain/(loss) on investment property	2,318	37,949	2,318	37,949
Total income	**28,234**	**74,161**	**26,973**	**73,112**
Expenses				
Property expenses	10,356	9,095	10,356	9,095
Finance costs	2,689	1,232	2,698	1,373
Corporate and administration expenses	4,047	4,286	2,221	3,208
Acquisition expenses	823	-	797	-
Total expenses	**17,915**	**14,613**	**16,072**	**13,677**
Profit before tax	**10,319**	**59,548**	**10,902**	**59,434**
Income tax benefit/(expense)	157	(3)	-	-
Net profit from continuing operations	**10,476**	**59,546**	**10,902**	**59,434**
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**10,476**	**59,546**	**10,902**	**59,434**
Profit and total comprehensive income attributable to:				
Company shareholders	(426)	111	-	-
Trust unitholders	6,236	58,278	6,236	58,278
Profit and total comprehensive income attributable to stapled securityholders	5,811	58,389	6,236	58,278
External non-controlling interests	4,665	1,156	4,665	1,156
Profit after tax from continuing operations	**10,476**	**59,546**	**10,902**	**59,434**

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NPAT to AFFO

	GDI	
	31 December 2020	31 December 2019
	$'000	$'000
Total comprehensive income for the period	**10,476**	59,546
Acquisition expenses and discontinued acquisition	**823**	-
Contribution resulting from consolidated trusts	**(4,295)**	(2,297)
Distributions / funds management fees received from consolidated trusts	**2,190**	943
Straight lining adjustments	**497**	457
Amortisation of incentives and leasing costs	**6,410**	3,026
Amortisation of loan establishment costs and depreciation	**348**	85
Net fair value gain on investment property	**(2,318)**	(37,949)
Net fair value (gain) / loss on interest rate swaps	**121**	-
Funds From Operations	**14,252**	**23,811**

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Property by property information

Property	Dec 20		Dec 19		Dec 20		
	$m		$m		$m		
	IFRS NPI[2]	FFO	IFRS NPI[2]	FFO	Capex spent	Maintenance capex spent	Incentives and lease costs
1 Mill Street							
5 Mill Street							0.5
197 St Georges Terrace					0.3		1.9
Mill Green, Perth	6.2	8.9	7.6	10.0	0.3		2.3
Westralia Square, Perth	0.6	4.0	13.3	13.6	4.2	-	2.8
50 Cavill Avenue, Surfers Paradise	2.7	3.5	2.8	3.5	0.3	-	0.5
180 Hay Street, Perth	0.2	0.2	-	-	0.5	-	-
Distributions from consolidated funds	-	1.8	-	0.8	-	-	-
Funds Management fees	1.3	1.7	1.1	1.2	-	-	-

1. "As is" is defined as contracted revenues only and does not include any new leasing or lease renewals and is subject to no material change in circumstances or unforeseen events.
2. IFRS NPI is the net property income of each asset prior to any revaluation adjustments.

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