

16 August 2021

GPT announces first half 2021 NPAT of \$760.5 million and interim distribution of 13.3 cents per security

The GPT Group ('GPT' or 'Group') announced its results for the 6 months to 30 June 2021.

1H 2021 Overview

- Net Profit After Tax (NPAT) of \$760.5 million (June 2020: Net Loss After Tax of \$520.4 million), with investment property valuation increases of \$471.7 million
- Funds From Operations (FFO) of \$302.3 million resulting in FFO per security of 15.64 cents, an increase of 24.6% on the prior corresponding period (pcp)
- Interim distribution per security of 13.3 cents, an increase of 43% on pcp, representing a payout ratio of 99.9% of free cash flow
- Portfolio revaluation gain of 3.3% and Weighted Average Capitalisation Rate (WACR) of 4.85%
- Net Tangible Assets of \$5.86 per security up 5.2% on 31 December 2020
- \$146.8 million of securities (1.7% of issued capital) bought-back at an average price of \$4.54 per security
- Retail rent collection rate 104% of 1H 2021 net billings
- Total Centre sales up 5.0% and Total Specialties sales up 6.5%, compared to the same period in 2019¹
- Completed 32 Smith and Queen & Collins Office developments valued at ~\$780 million
- Four Logistics developments on track to complete in 2H 2021 with a combined expected end value of ~\$170 million
- Gearing of 24.5%, with the first major facility renewal not until 2023

GPT's Chief Executive Officer, Bob Johnston, said: "Over the first half of 2021, our Logistics portfolio continued to grow through developments and acquisitions, and we advanced commitments with our strategic partner QuadReal Property Group. We successfully completed Office developments at 32 Smith and Queen & Collins. Further, we experienced a rebound in retail sales and retail rent collections were high. Our balance sheet and liquidity position remained strong, with A and A2 investment-grade credit ratings from S&P and Moody's respectively."

Valuations

During the period, 78% of investment properties in the portfolio were independently valued including all Retail assets, resulting in a revaluation gain of 3.3% or \$471.7 million as at 30 June 2021. The portfolio WACR firmed 10 basis points to 4.85%.

¹ Excluding Melbourne Central and Travel Agents.

Office

The Office portfolio recorded a net valuation increase of \$121.2 million or 2.2% in the 6 months to 30 June 2021, supported by recent transactions. The WACR of the portfolio at 30 June 2021 was stable at 4.87% and the average discount rate firmed by 11 basis points to 6.08%.

Occupancy for GPT's \$5.8 billion prime grade portfolio was 88.9% at 30 June 2021. This occupancy includes 32 Smith, Parramatta and Queen & Collins, Melbourne which were completed in the half. Both developments achieved 6 Star Green Star - Design ratings. Occupancy excluding these recent development completions was 92.0%. Rent collections for the first half were 100% of net billings.

Leases totalling 37,900 square metres (sqm) were signed in the period, with an additional 23,200 sqm of Heads of Agreement in place. The weighted average lease expiry (WALE) of the portfolio is 5.0 years.

The GPT Wholesale Office Fund's Queen & Collins development reached practical completion in June 2021 and is 41% committed including terms agreed, with strong levels of leasing enquiry. The distinctive 34-level landmark tower and adjacent heritage buildings provide 34,000 sqm of high quality office space, complemented by unique customer amenity.

In the first half of 2021, positive indicators of strong jobs growth supported by rising business confidence, led to stronger tenant enquiry. While this has been interrupted by the reimposition of Government restrictions, GPT expects the positive momentum of the first half to re-emerge as restrictions unwind.

Logistics

GPT's Logistics portfolio recorded a \$314.7 million or a 10.6% valuation increase in the 6 months to 30 June 2021 and now totals \$3.4 billion. The WACR firmed 46 basis points to 4.38% and the average discount rate firmed by 39 basis points to 5.81%. The tightening of valuation metrics reflect unprecedented levels of investor demand.

Occupancy for the Logistics portfolio was 96.8% at 30 June 2021, with 58,900 sqm of leases signed in the period. The WALE of the portfolio is 6.6 years and rent collections for the first half were 100% of net billings.

GPT QuadReal Logistics Trust acquired two fund-through developments in Melbourne totalling approximately \$270 million, and land in Brisbane's South West for future development. Post the period, an additional 8 hectare land parcel was secured at Crestmead in Brisbane's South.

GPT's \$51 million development at 42 Cox Place, Glendenning in New South Wales completed in February 2021 and is leased to Total Tyres for a 10-year term.

GPT also purchased an adjacent land parcel on Mamre Road, taking its land holding at Kemps Creek in Western Sydney to 37.2 hectares. A State Significant Development Application has been submitted and the first facility is expected to be delivered in 2022.

In the second half of 2021, four developments will be completed including a 16,300 sqm facility at GPT's Berrinba estate in Brisbane which achieved practical completion last month.

The Group's development pipeline has an expected end value on completion of approximately \$1.4 billion, giving the Logistics portfolio a growth pathway to approximately \$5 billion².

² Includes GPT and GPT QuadReal Logistics Trust opportunities.

Demand for prime Logistics space is expected to continue to be underpinned by increasing penetration of e-commerce and growing investment in supply chain infrastructure, with low vacancy rates in the core eastern seaboard markets.

Retail

Independent valuations were undertaken for the entire Retail portfolio as at 30 June 2021, which resulted in a revaluation gain of \$35.8 million or 0.6%. The valuation metrics remained stable with a WACR of 5.05% and an average discount rate of 6.30%.

Portfolio retail sales showed a strong recovery following COVID-19 restrictions easing at the beginning of the period. Total Centre sales were up 5.0% and Total Specialties sales were up 6.5% for the six months to 30 June 2021³, compared to the same period in 2019.

Specialty categories that experienced robust growth³ included General Retail (+23.4%), Leisure (+12.8%), Technology & Appliances (+9.6%) and Fashion (+6.9%). Discount Department Stores also continued their strong sales performance (+13.5%). Cinema sales remain impacted by reduced patronage given the lack of new product, and Travel Agencies are also yet to recover given the ongoing international travel restrictions.

Specialty sales productivity was \$9,769 per sqm at 30 June 2021, up from \$8,300 at 31 December 2020, but below \$9,910 in the pcp.

The portfolio occupancy at 30 June was 98.9%. The Group completed 412 leasing deals in the six months to 30 June 2021, with an average leasing spread of -9.4%. Deals achieved fixed rental increases averaging 4.4% and an average lease term of 4.5 years. Leasing deals continue to include fixed base rents with annual increases.

Whilst the Victorian assets rebounded strongly in the second quarter, they were impacted by further government lockdowns and ongoing restrictions at the end of the half. The performance of Melbourne Central continues to improve, however, given the asset's location in the Melbourne CBD, it is heavily reliant on foot traffic from office workers, students and tourists, resulting in a slower recovery compared to the rest of the portfolio. Melbourne Central is one of the country's leading retail destinations, continuing to have strong demand from retailers, and GPT is confident in the asset's prospects once restrictions are removed.

The Code of Conduct was recently reinstated in Victoria and in New South Wales requiring landlords to provide rental relief to qualifying SME tenants. GPT continues to work with its tenants to provide relief as required to assist with any short-term cash flow impacts.

Retail rent collections in the first half were 104% of net billings. Following the introduction of lockdowns in Sydney and Melbourne, rent collection for the Retail portfolio softened to 81% of net billings in July 2021.

The impacts of the COVID-19 pandemic on the operating environment are expected to be followed by a rebound in retail sales, with high household savings rates and a buoyant housing market anticipated to provide ongoing support for the retail sector. The investments the Group has made in its assets ensures they remain the preferred choice in their markets, for both customers and retailers.

³ Excluding Melbourne Central and Travel Agents.

Funds Management

The GPT Funds Management platform has \$13.5 billion in funds under management and contributed 8% of the Group's earnings. There are a number of growth opportunities across the Funds Management platform.

The GPT Wholesale Office Fund is making good progress with its extensive \$3 billion estimated end value development pipeline, achieving practical completion of Queen & Collins this period and targeting to commence the development of 51 Flinders Lane in Melbourne in the fourth quarter of 2021.

The GPT Wholesale Shopping Centre Fund's focus is on near term asset enhancement and longer-term value creation through repositioning of existing assets and progressing mixed-use masterplans at Highpoint, Macarthur Square and Northland.

With 53% of the initial \$800 million target committed, GPT's Logistics partnership with QuadReal Property Group is being increased to \$1 billion.

Sustainability

ESG leadership is a strategic priority and GPT continues to be recognised as a sustainability leader, demonstrated by strong performance in international benchmarks. GPT achieved GRESB's maximum 5 Green Star status and was second globally for real estate in the S&P Global Corporate Sustainability Assessment (formerly DJSI), and also attained the ISS Corporate ESG Prime rating.

The Group is making solid progress toward its industry-leading target for all GPT managed assets to be operating on a carbon neutral basis by 2024. In addition to the GPT Wholesale Office Fund portfolio, which is already operating carbon neutrally, a further two Office assets will be certified in 2021 and certification of two Retail assets will commence in 2022.

Balance Sheet

GPT's balance sheet remains in a strong position with gearing of 24.5%, a weighted average debt term of 7.4 years and a weighted average cost of debt of 2.7%. The Group has \$1.3 billion of available liquidity held in cash and undrawn bank facilities, with the first major facility renewal not until 2023. The Group maintains A and A2 credit ratings from S&P and Moody's respectively.

Since the on-market buy-back for up to 5% of securities on issue was announced in February 2021, approximately 32.4 million securities have been purchased (1.7% of issued capital) at an average price of \$4.54 per security, totalling \$146.8 million. The security buy-back is not currently active. GPT continues to assess opportunities to deploy capital to grow the business.

1H 2021 Distribution

The Group has declared a distribution for the six months to 30 June 2021 of 13.3 cents per ordinary stapled security, which represents 99.9% of free cash flow. The distribution payment will be made in accordance with the following timetable:

- Ex-distribution date: Thursday, 19 August 2021
- Record date: Friday, 20 August 2021
- Payment date: Tuesday, 31 August 2021

Outlook for 2021

COVID-19 restrictions continue to disrupt the Australian economy and GPT's operating environment. As was evident in the first half, when restrictions eased, GPT's portfolio benefited from the strong economic conditions including improved business and consumer sentiment. While recently enforced restrictions have disrupted this momentum, GPT expects that this will be temporary and that it will see a return to favourable conditions once restrictions are lifted.

GPT continues to focus on activating its development pipeline for the Group's investment portfolio and managed funds. Structural tailwinds and low vacancy are driving strong demand for Logistics space and GPT is well positioned to capture this opportunity with a \$1.4 billion Logistics development pipeline. Unprecedented levels of investment demand for Logistics assets will provide ongoing support for valuation growth.

Office leasing remains challenging with elevated vacancy rates and new supply emerging. Leasing enquiry, particularly from technology and business services organisations, remains positive and we expect that conditions will improve once CBDs re-open. The Group's Office portfolio of high quality, prime grade assets is underpinned by a WALE of 5.0 years.

GPT's Retail portfolio saw a solid recovery in performance in the first half with strong sales growth, high levels of rent collection and positive leasing demand driving an increase in occupancy. Many retailers opened new brands and physical stores to capture the sharp rebound in sales. The recovery of Melbourne Central continues to lag the broader portfolio given the delayed return of office workers and students to the Melbourne CBD. While the recent lockdowns will have a near term impact on retail sales, a rebound is expected once restrictions are lifted as evidenced in the first half.

Mr Johnston said: "While the recent COVID-19 outbreaks have disrupted the economic recovery, we expect this to be transitory and that we will see a return to favourable business conditions once vaccination rates reach a level that allow restrictions to be lifted on a more sustained basis.

"We are confident that our high quality diversified portfolio will benefit as operating conditions improve and the Group is well placed with a strong balance sheet to execute on our strategy to grow Logistics and Funds Management."

FFO and distribution guidance is not provided given the uncertain operating conditions for the balance of 2021.

Market Briefing

GPT will conduct a market briefing at 10.30am (AEST) today, 16 August 2021, which will be webcast via GPT's website www.gpt.com.au.

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

Additional detail on GPT's 2021 Interim Result is available in the associated Financial Report, Presentation, Data Pack and Property Compendium released to the ASX today and available at www.gpt.com.au.

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Authorised for release by The GPT Group Board.

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