28 October 2015

September Quarter Operational Update

The GPT Group (GPT) today announced its operational update for the September 2015 quarter.

Key Highlights

- Retail specialty sales growth up 6.5 per cent over the year.
- Total office leasing of 139,300sqm for the year to 30 September including Heads of Agreement (HoA).
- Strong progress on MLC Centre leasing.
- On track to achieve earnings per security growth[1] of between 5 and 6 per cent for the full year 2015.

CEO and Managing Director Bob Johnston said GPT had continued to perform strongly during the September quarter, supported by positive trading conditions across its key retail and office assets and that the Group remained on track to deliver on its earnings guidance for the full year.

“Strong momentum in retail sales continued during the quarter and our office team continues to make good progress in leasing up the vacant space in our office portfolio,” Mr Johnston said.

“These solid fundamentals coupled with the strong appetite for investment assets has also seen valuations continue to rise during the quarter.”

Retail

GPT’s high quality regional shopping centres have continued to deliver solid results for the portfolio. GPT is also benefiting from the growth in the economies of NSW and Victoria, where 84 per cent of the Group’s retail portfolio is located. Australian Bureau of Statistics Data for August shows both NSW and Victoria continuing to outperform the other states.

GPT’s comparable specialty moving annual turnover (MAT) is up 6.5 per cent, with total centre MAT growth of 3.7 per cent. Specialty sales growth has continued to be strong at 6.8 per cent on a like-for-like basis for the quarter compared to the same period last year.

GPT has continued to see good results for mobile phones, homewares, retail services, as well as food and leisure based retailers. Apparel specialty retailers have improved with 2.5 per cent sales growth for the year to September compared to the 1.2 per cent sales growth reported as at June 2015.

Majors have recorded mixed results with department stores being flat, discount department stores continuing to show negative sales growth and supermarkets being marginally positive over the past 12 months.

GPT has continued to attract highly sought after international flagship retailers to its shopping centre assets. During the period, leases were executed with both cosmetics giant Sephora and South African fashion retailer MRP at Melbourne Central, with both brands choosing the centre as their entry point into the Melbourne market.

Office

There was continued growth in demand in the Sydney and Melbourne CBD office markets during the quarter. The average vacancy rate across the three Eastern seaboard CBD office markets fell from 9.9 per cent to 9.7 per cent. Rental growth showed some improvement with overall prime net face rents increasing by 3.8 per cent during the last 12 months and prime effective rents increasing by 3.7 per cent.

1. Defined as Funds From Operations per security.

The Group further improved its office occupancy during the quarter with a total of 47,400sqm of new leases and renewals either signed or at Heads of Agreement. Occupancy for the office portfolio was 95.6 per cent as at 30 September.

Leasing momentum has continued at The MLC Centre, with 6,500sqm of new leases and renewals signed or at Heads of Agreement for the year to 30 September. Since the end of the quarter, an additional 4,700sqm has been secured with Heads of Agreement.

The Group has completed a total of 139,300sqm of leasing (including HoA) in the year to date across the office portfolio.

Key leasing transactions include:

Asset	Status	Tenant	Sqm	Term
MLC Centre, Sydney	HoA	Multiple tenants	4,700sqm	Various
MLC Centre, Sydney	Signed	McCullough Robertson	1,449sqm	7 years
MLC Centre, Sydney	Signed	Government Property NSW	3,754sqm	4 years
MLC Centre, Sydney	Signed	Government Property NSW	2,281sqm	5 years
2 Park Street	HoA	Multiple tenants	11,200sqm	Various
Darling Park 3	HoA	Confidential	5,180sqm	7 years
Farrer Place	Signed	Commonwealth of Australia	3,702sqm	3 years
Darling Park 2	HoA	Confidential	3,844sqm	10 years
CBW	Signed	Netapp	1,124sqm	7 years

Strong demand from local and offshore investors for prime office assets coupled with recent market transactions, has resulted in cap rate compression of approximately 25 basis points across the Eastern Seaboard CBD markets. GPT expects investment demand to continue for the sector, with underlying fundamentals showing continued improvement.

Logistics
In the logistics portfolio further progress has been made, with 17,800sqm of leasing during the September quarter. Total space secured in the Logistics portfolio in the year to 30 September was 123,400sqm (including HoA).

Since the end of the quarter the Group has also leased 40,600sqm of existing space to Murray Goulburn at the Austrak Business Park at Somerton, where GPT is a 50 per cent owner.

Funds Management
The strong performance of the Funds Management platform was reflected in the GPT Wholesale Office Fund (GWOF) and GPT Wholesale Shopping Centre Fund (GWSCF) delivering total fund-level returns of 17.3 per cent and 9.2 per cent respectively in the 12 months to 30 September. Given the strong performance of GWOF, a performance fee is likely to be payable to GPT at year end.

The $240 million redevelopment of Macarthur Square commenced during the quarter. The redevelopment of the centre, which is 50 per cent owned by GWSCF, will transform and reposition Macarthur Square, adding approximately 16,000sqm to the property and reaffirming its position as the largest shopping centre in south west Sydney.

During the period GWOF entered into an agreement for the sale of 545 Queen Street, Brisbane for $82 million which was slightly above book value.

GPT continues to advance its discussions with GWOF investors as part of the Fund Review, with a target to having this finalised by June next year.

Asset Revaluations
During the period GPT Group and GWSCF revalued their respective interests in Highpoint Shopping Centre. The Group's 16.67 per cent share was revalued upwards by $12.7 million on June 2015 book value, representing a 13 basis point tightening in the cap rate to 5.13 per cent.

In addition GWSCF also revalued its investment in Macarthur Square. Combined with the revaluation of Highpoint, the Fund recorded a total gain of $50.6 million on June 2015 book value and its weighted average cap rate (WACR) firmed 10 basis points to 5.80 per cent.

In GWOF, a total of 17 assets were revalued for a total gain of $267.5 million. The Fund's WACR tightened 32 basis points to 6.06 per cent.

Capital Management
As at 30 September, the Group's gearing was 27.4 per cent and the weighted average cost of debt for the year to date was 4.6 per cent.

Outlook and Guidance
GPT remains on track to achieve earnings per security growth of between 5 and 6 per cent for the full year 2015, excluding the impact of any GWOF performance fee that may be earned.

The impact to Funds From Operations of a performance fee becoming payable to GPT, after tax and taking into consideration the Group's interest in GWOF, would be a maximum of approximately $6.7 million for the full year to 31 December 2015.

Mr Johnston, who commenced with the Group in September, will provide the market with an update on GPT's business direction and outlook at the Group's Annual Result announcement in February.

– Ends –

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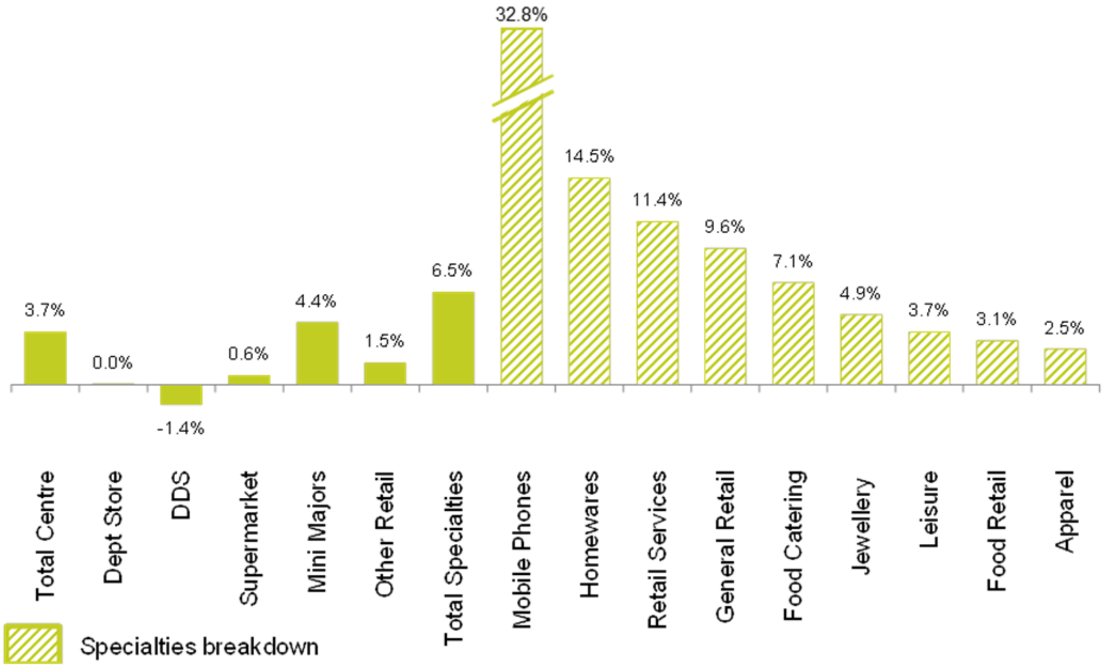
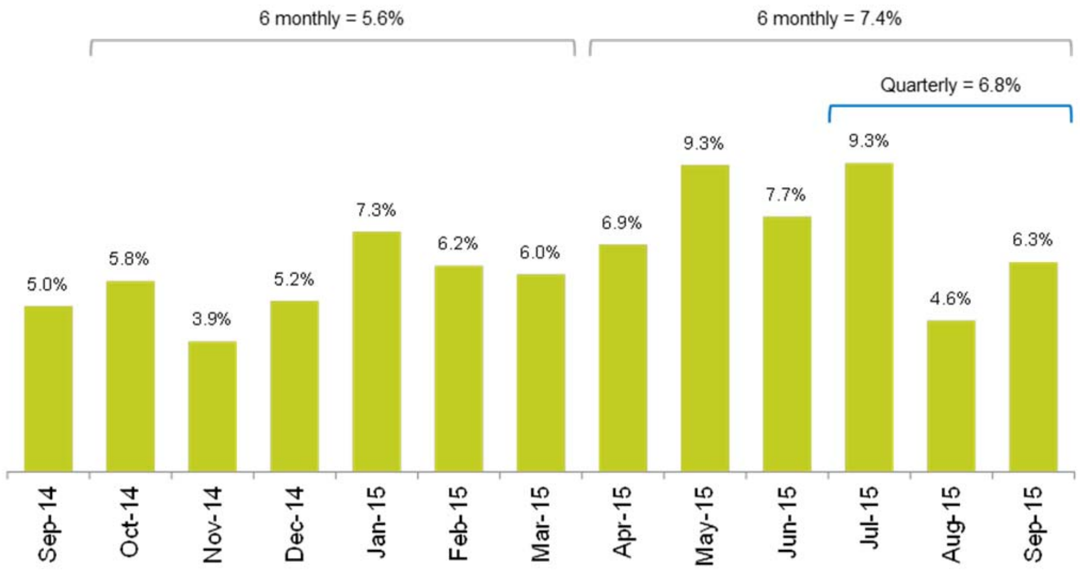
APPENDIX 1 – RETAIL SALES

Comparable Change in Annual Retail Sales Growth by Category[1]



1. Based on GPT weighted interest. Excludes development impacted assets (Dandenong Plaza and Wollongong Central).

Specialty Monthly Sales Growth[2]



2. Based on GPT weighted interest. Excludes development impacted assets (Dandenong Plaza and Wollongong Central). Includes Northland Shopping Centre from October 2014.

Retail Portfolio Sales Performance by Centre

	Ownership	Moving Annual Turnover (MAT) Centre MAT ($m)	Comparable Centre MAT Growth	Comparable Specialty MAT Growth	Specialty MAT ($psm)	Specialty Occupancy Cost
GPT Portfolio						
Casuarina Square	GPT/GWSCF	390.6	-2.0%	-1.0%	11,380	15.8%
Charlestown Square	GPT	539.9	4.7%	8.6%	10,467	15.6%
Highpoint Shopping Centre	GPT/GWSCF/HPG	949.0	7.2%	9.5%	10,331	19.7%
Melbourne Central Retail	GPT	426.1	7.5%	6.2%	10,542	20.8%
Rouse Hill Town Centre	GPT	415.9	2.8%	9.3%	8,069	14.3%
Sunshine Plaza[1]	GPT/APPF	518.3	0.5%	0.8%	11,651	18.6%
Westfield Penrith[2]	GPT/Scentre	617.8	4.1%	9.2%	11,754	17.8%
GWSCF Portfolio						
Casuarina Square	GWSCF/GPT	390.6	-2.0%	-1.0%	11,380	15.8%
Chirnside Park	GWSCF	265.3	5.2%	8.5%	11,200	15.9%
Forestway Shopping Centre	GWSCF	99.1	-0.7%	-2.6%	10,849	17.1%
Highpoint Shopping Centre	GPT/GWSCF/HPG	949.0	7.2%	9.5%	10,331	19.7%
Macarthur Square[1]	GWSCF/APPF	565.0	2.5%	6.4%	9,570	17.2%
Northland Shopping Centre[3]	GWSCF/Novion	511.7	1.7%	3.7%	8,346	20.3%
Norton Plaza	GWSCF	120.2	0.5%	2.9%	11,774	13.7%
Parkmore Shopping Centre	GWSCF	250.5	2.8%	4.4%	8,547	15.4%
Westfield Woden[2]	GWSCF/Scentre	361.4	-1.2%	2.4%	8,767	18.7%
GPT Weighted Total			**3.7%**	**6.5%**	**10,256**	**17.6%**
Centres Under Development						
GPT Portfolio						
Dandenong Plaza	GPT	215.6	6.4%	-1.4%	6,469	18.2%
GWSCF Portfolio						
Wollongong Central	GWSCF	258.6	69.7%	43.9%	7,693	18.6%

1. Analysis provided by Lend Lease.
2. Analysis provided by Scentre Group.
3. Analysis provided by Vicinity.

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

APPENDIX 2 – PORTFOLIO REVALUATIONS

		As at 30 June 2015		As at 30 September 2015	
	Ownership	Fair Value ($m)	Cap Rate (%)	Fair Value ($m)	Cap Rate (%)
GPT Portfolio					
Highpoint Shopping Centre[1]	16.67%	$331.2	5.25%	$343.9	5.13%
CBW, Melbourne	50%	$304.9	6.50%	$316.5	6.25%
One One One Eagle Street, Brisbane	33%	$265.8	5.88%	$273.0	5.75%
GWSCF Portfolio					
Highpoint Shopping Centre[1]	58.33%	$1,158.5	5.25%	$1,203.8	5.13%
Macarthur Square	50%	$421.7	6.00%	$427.0	5.75%
GWOF Portfolio					
Liberty Place, Sydney	50%	$478.8	5.75%	$535.0	5.25%
Darling Park 1 & 2, Sydney	50%	$657.8	Office: 5.85%-6.32% Retail: 6.56%	$731.0	Office: 5.63%-5.88% Retail: 6.50%
Darling Park 3, Sydney	100%	$312.9	6.32%	$324.0	6.13%
HSBC Centre, Sydney	100%	$364.0	6.75%	$374.0	6.50%
8 Exhibition Street, Melbourne	50%	$184.1	6.13%	$195.0	5.63%
150 Collins Street, Melbourne	100%	$178.5	6.00%	$188.0	5.75%
530 Collins Street, Melbourne	100%	$505.0	6.25%	$535.0	5.88%
655 Collins Street, Melbourne	100%	$121.0	5.85%	$130.0	5.50%
CBW, Melbourne	50%	$304.9	6.50%	$316.5	6.25%
800/808 Bourke Street, Melbourne	100%	$430.8	6.00%	$466.5	5.50%
2 Southbank Boulevard, Melbourne	50%	$203.8	6.25%	$217.5	6.00%
Twenty8 Freshwater Place, Melbourne	50%	$125.5	6.75%	$126.9	6.63%
One One One Eagle Street, Brisbane	33%	$265.8	5.88%	$273.0	5.75%
Riverside Centre, Brisbane	100%	$595.1	6.63%	$601.0	6.25%
Transit Centre, Brisbane	50%	$62.1	9.00%	$62.5	9.00%
545 Queen Street, Brisbane[2]	100%	$81.0	7.75%	$82.0	7.75%

1. Fair value includes Homemaker City Maribyrnong. Cap rate excludes Homemaker City Maribyrnong.
2. 545 Queen Street sold during the quarter for $82.0 million which has been adopted as the book value. Settlement is in August 2016.

The GPT Group