14 February 2017

GPT delivers NPAT of $1.153 billion and 5.6 per cent FFO per security growth

2016 Financial Highlights

- Net Profit After Tax of $1.153 billion, up 32.8 per cent
- Funds From Operations (FFO) per security growth 5.6 per cent
- Dividend per security (DPS) growth of 4.0 per cent
- 15.5 per cent Total Return
- Net Tangible Assets of $4.59 per security, up 9.9 per cent

The GPT Group ("GPT" or "Group") has delivered a Net Profit After Tax of $1.153 billion, an increase of 32.8 per cent on the previous corresponding period (pcp). FFO per security grew by 5.6 per cent on pcp to 29.88 cents.

GPT's Chief Executive Officer Bob Johnston said that all areas of the business had contributed to the profit result, with the quality of the investment portfolio evidenced by the strong like for like income growth of 4.5 per cent and high occupancy level of 97.1 per cent.

The valuation uplift of $612 million was driven by a combination of income growth and firmer valuation metrics.

"Our key office markets of Sydney and Melbourne have experienced further improvements in property fundamentals and we expect both will deliver solid rental growth over the next few years, supported by positive tenant demand and a limited supply of new space over that time. Market conditions are expected to remain positive for valuations of high quality assets in prime locations through 2017," Mr Johnston said.

The Funds Management business contributed strongly to the 2016 result, with the Group receiving a full year of performance fees from the GPT Wholesale Office Fund (GWOF). During the year the Group also successfully renewed the GWOF terms for a further ten years.

In the second half of 2016 GPT increased its investment in both GWOF and the GPT Wholesale Shopping Centre Fund (GWSCF) with the purchase of additional units for a total of $366 million. These investments increased the Group's investment in the Funds to $2.1 billion.

"We saw these investments as attractive opportunities, particularly when compared to other opportunities available in the broader market, noting also there were no transaction costs involved."

During the year the Group lengthened its debt maturity profile and further diversified its source of funds through its debt capital markets activities. The Group had net gearing of 23.7 per cent at the end of the year, and a weighted average cost of debt of 4.25 per cent.

"Overall, the Group is in a healthy financial position at the commencement of 2017, and expects to deliver FFO per security growth of approximately 2 per cent, and Distribution per security growth of approximately 5 per cent for the year."

"The outlook is underpinned by high portfolio occupancy, fixed rental increases and a strong capital position," Mr Johnston said.

The GPT Group

2016 Portfolio Highlights

- Portfolio like-for-like income growth of 4.5 per cent
- $611.6 million portfolio valuation uplift
- Total portfolio occupancy of 97.1 per cent
- Weighted Average Lease Expiry (WALE) of 5.1 years

Retail

The Retail portfolio delivered like-for-like income growth of 3.8 per cent for the 12 months to 31 December 2016, driven by a combination of fixed rental increases, improved leasing spreads and a continued focus on expense management. Property Net Income for the year was down slightly to $246.7 million as a result of the sale of Dandenong Plaza in Melbourne.

After two particularly strong years, specialty sales growth across the portfolio moderated, as expected, to 2.6 per cent. Specialty sales productivity across the portfolio remains strong, with the portfolio now trading at over $11,000 per square metre, up approximately 5.5 per cent on the previous year.

The value of the Retail portfolio increased by $230.8 million in 2016, with the weighted average capitalisation rate firming 19 basis points to 5.39 per cent over the period. Key contributors to this result included Melbourne Central (+11.4 per cent), Highpoint (+10.3 per cent), and the Group's ownership interest in GWSCF (+6.8 per cent).

In August, work began on the $400 million expansion of Sunshine Plaza, in which GPT has a 50 per cent interest. The expansion will provide an additional 35,000 square metres of retail space and reinforce the centre's dominant market position. The project is scheduled for completion in the fourth quarter of 2018.

The Group continues to progress plans for a $250 million retail expansion at Rouse Hill Town Centre in Sydney's northwest, with a development application lodged and discussions with anchor tenants underway.

Office and Logistics

The Office portfolio delivered strong results for the year, with 6.3 per cent like-for-like income growth and a valuation uplift of $336.5 million. The portfolio's weighted average capitalisation rate firmed 39 basis points to 5.55 per cent.

The Office team signed 170,000 square metres of leases, including Heads of Agreement, during the year. Occupancy across the portfolio now stands at 97 per cent.

Our development pipeline was enhanced with the acquisition of an office site in Parramatta in December, and the announcement of a new office development at Sydney Olympic Park.

GPT made its first investment in the Parramatta CBD after agreeing to purchase a 2,400 square metre site for approximately $31.2 million. The site has the potential to accommodate a 26,000 square metre prime office tower.

In December, the Group also announced plans to develop a 15,700 square metre A-Grade office building at 4 Murray Rose Avenue, Sydney Olympic Park, after securing a 60 per cent precommitment from the State Government for the NSW Rural Fire Service. The project is expected to be completed in the second half of 2018.

In Logistics, the portfolio delivered like-for-like income growth of 1.4 per cent for the year. Occupancy in the portfolio increased toward the end of the period to 95.3 per cent.

The Logistics portfolio recorded a net revaluation gain of $38.9 million, driven largely by valuation increases for GPT's facilities at Erskine Park in Sydney and Somerton in Melbourne.

Construction is progressing well on two new Sydney logistics facilities, located at Eastern Creek and at Seven Hills. The Seven Hills facility is expected to be completed in the first quarter of 2017, with Eastern Creek to be completed in the third quarter.

Leasing for both projects is progressing well, with terms agreed with two tenants at Seven Hills. The Group is also receiving a strong level of tenant enquiry for the facility at Eastern Creek.

These projects, combined with the recently acquired asset at Huntingwood in Sydney, will deliver 64,400 square metres of new logistics assets to GPT when completed.

Funds Management

GWOF delivered a strong total return of 14.5 per cent for the period, while GWSCF achieved a total return of 11.5 per cent. GWSCF was the best performing shopping centre fund in the retail category of the Mercer/IPD Australia Wholesale Fund index.

In June, following extensive consultation with investors and key stakeholders, the GWOF fund terms were successfully renewed. The process for the renewal of the GWSCF fund terms is well advanced and is expected to be completed in the first quarter of this year.

Outlook

GPT provides the following guidance for FY17:

- FFO per security growth of approximately 2.0 per cent; and
- Distribution per security (DPS) growth of approximately 5.0 per cent.

Market Briefing

GPT will be providing a market briefing at 10:00am (AEDT) today, 14 February 2017. The market briefing will be webcast via the GPT website (www.gpt.com.au).

-Ends-

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