20 February 2023

GPT delivers full year 2022 NPAT of $469.3 million and Funds From Operations of $620.6 million

2022 Overview

- Net profit after tax (NPAT) of $469.3 million (2021: $1,422.8 million), with the decline predominantly due to negative investment property movements of $159.3 million (2021: $924.3 million positive revaluation)
- Funds From Operations (FFO) of $620.6 million (2021: $554.5 million) and FFO per security of 32.40 cents (2021: 28.82 cents) in line with guidance
- Full year distribution of 25.0 cents per security (2021: 23.2 cents per security), including a distribution of 12.3 cents per security for the six months to 31 December 2022
- Net Tangible Assets per security (NTA) of $5.98 (2021: $6.09)
- Gearing of 28.5%, liquidity of $1.1 billion, and a weighted average debt term of 6.2 years
- GPT commenced management of the $2.8 billion UniSuper direct real estate mandate in September 2022 and $2.7 billion Australian Core Retail Trust in December 2022
- GPT ranked first in S&P Global 2022 Corporate Sustainability Assessment for real estate
- Chief Executive Officer and Managing Director, Bob Johnston on 10 February 2023 announced his intention to retire by the end of this calendar year and a search has commenced for a successor

The GPT Group ('GPT' or 'Group') announced its results for the 12 months to 31 December 2022.

GPT's Chief Executive Officer, Bob Johnston, said: "2022 was a year of uncertainty and external challenges as we transitioned from COVID-19 restrictions in the early part of the year, to an environment of high inflation and higher interest rates. Despite these challenges, GPT has remained resilient and it is pleasing to report that the Group delivered solid growth in Funds From Operations and distributions in line with guidance.

"Rising bond yields have led to a softening of valuation metrics for real estate assets. This has been partly offset by market rent growth, particularly for the logistics sector. As a result, there was a negative 2.2% revaluation movement from 30 June 2022 for the GPT portfolio primarily driven by lower valuations for the Office assets.

"We remained focused on our strategic priorities of driving resilient and growing income from our owned and managed high quality diversified property portfolio, growing our funds under management and maintaining a prudent approach to capital management.

"We are delighted to have been appointed by UniSuper to manage its $2.8 billion direct real estate portfolio and subsequently by UniSuper and Cbus Property to manage the $2.7 billion Australian Core Retail Trust. These mandates include some of Australia's premier retail destinations and securing these has been a strong endorsement of GPT's management capabilities.

"Our Retail portfolio has delivered strong results for the year. While higher interest rates and inflationary pressures are expected to moderate retail sales growth over the course of 2023, GPT's high quality Retail portfolio is well positioned with high occupancy and strong sales productivity.

“The office leasing market remains challenging, with tenant demand being impacted by the adoption of hybrid work arrangements and the expectation of softer economic conditions. While the occupancy of our Office portfolio declined in the period due to a number of larger tenant expiries in the second half, we remain confident that our portfolio will benefit from the tenant flight to quality we are seeing in the market.

“Our Logistics portfolio continues to deliver strong results for the Group. We are making excellent progress with our developments, with an additional seven assets completed and four more scheduled to complete over the next 12 months. Ongoing structural tailwinds in the sector continues to drive tenant demand, low vacancy rates and strong market rental growth.”

Retail

Retail portfolio occupancy was 99.4% at 31 December 2022 (2021: 99.1%), with strong leasing activity resulting in 581 lease deals being achieved during the year. Deals completed had an average annual rental increase of 4.4% and an average lease term of 4.7 years. The leasing spread on expiry averaged -2.8% on these completed deals.

Total Centre sales were up 30.9% and Total Specialty sales were up 36.1% for the 12 months to 31 December 2022 compared to 2021. Total Centre sales were also up 6.8% and Total Specialty sales were up 9.4% compared to 2019 (prior to COVID-19). Specialty sales productivity for the portfolio was $12,259 per square metre (sqm) at 31 December 2022 (2021: $9,313 per sqm).

The performance of Melbourne Central is benefiting from the progressive return of office workers, students and tourists to the Melbourne CBD, with Total Specialty sales productivity improving to $14,210 per sqm at 31 December 2022. The asset continues to attract strong demand from retailers and remains one of the country’s leading retail destinations.

Development planning is well advanced for the mixed-use opportunity at Rouse Hill Town Centre. Planning approval is expected to be received during the first half of 2023 which will then provide GPT the ability to commence the development at the appropriate time.

The Retail portfolio recorded a net revaluation uplift of $93.3 million or 1.7% in the 12 months to 31 December 2022, with a Weighted Average Capitalisation Rate (WACR) of 5.03%.

Office

Office portfolio occupancy reduced to 87.9% at 31 December 2022 (2021: 92.9%), with a weighted average lease expiry (WALE) at 4.9 years. During the year, 104,300sqm[1] of space was leased across 145 deals.

Smaller tenants continue to be the most active and the Group’s premium turn-key product, ‘DesignSuites by GPT’, was specifically created to appeal to these tenants. During the year, 22,500sqm[2] of DesignSuites were leased achieving rental premiums, reduced downtime and diversification of GPT’s customer base. In addition, GPT’s space on demand products

[1] Includes signed leases and Heads of Agreement (HoA) based on GPT and GPT Wholesale Office Fund (GWOF) ownership Net Lettable Area (NLA).
[2] 100% NLA basis.

provide customers with the optionality they desire, and the Group plans to further expand this offering in 2023.

Increasingly tenants are seeking to be in assets with strong sustainability credentials. GPT's Office portfolio has a very high average NABERS Energy rating of 5.1 stars, with all assets operating on a carbon neutral basis[3] and powered by 100% renewable electricity.

The Office portfolio recorded a negative revaluation of $316.0 million or -5.0% in the 12 months to 31 December 2022, including GPT's equity interest in the GPT Wholesale Office Fund (GWOF), with a WACR of 5.03%.

Logistics

Logistics portfolio occupancy increased to 99.2% at 31 December 2022 (2021: 98.8%), with a WALE of 6.2 years. Total leasing including Heads of Agreement of 278,900sqm was completed in the year.

The Logistics market has strong fundamentals with robust momentum in occupier demand leading to very low levels of vacancy of 0.2% in Sydney, 1.1% in Melbourne and 0.5% in Brisbane. This limited availability and continued demand for space has resulted in market rents rising significantly.

Leasing within GPT's operational assets this year achieved net face leasing spreads averaging 15%, while rents achieved for speculative developments exceeded initial underwriting.

The GPT QuadReal Logistics Trust (GQLT) has committed $1 billion of the $2 billion target, inclusive of pipeline projects, with assets under management of $0.5 billion at December 2022.

Seven developments across Melbourne and Brisbane were successfully completed, with a combined value of $460 million[4,5]. The development pipeline, inclusive of projects underway, has an expected end value on completion of $1.9 billion[4].

Two non-core assets in Sydney and Melbourne have been divested for $256.2 million, with settlement expected to occur in the first quarter of 2023.

The Logistics portfolio recorded a $63.4 million or 1.4% revaluation gain in the 12 months to 31 December 2022, including GPT's equity interest in GQLT, with a WACR of 4.40%.

Sustainability

GPT's ESG leadership was acknowledged in being ranked first amongst more than 800 listed real estate companies in the S&P Global 2022 Corporate Sustainability Assessment.

During the year GPT entered into a partnership with Greenfleet to restore native forests and is utilising the carbon offsets created to ensure that its buildings move beyond providing a positive legacy in the built environment, to also delivering a positive legacy in the natural environment. More details on GPT's efforts to address climate change and its alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are available in the Group's 2022 Climate Disclosure Statement released to the ASX today.

[3] GPT and GWOF operational assets. Excludes assets under or held for development (51 Flinders Lane, Melbourne, 81 & 91 George Streets, Parramatta, 155 Walker Street, North Sydney) or under the operational control of the tenant (750 Collins Street, Melbourne).
[4] Assets under management inclusive of GQLT.
[5] Includes post balance date completions.

Capital Management

The Group had $1.1 billion of available liquidity at 31 December 2022, a weighted average debt term of 6.2 years and an average cost of debt of 3.2%. Net gearing is within GPT's stated range of 25% to 35% at 28.5% and credit ratings are within GPT's target "A" range at A (negative) and A2 (stable) by S&P and Moody's respectively.

During the year the Group increased its interest rate hedging, with 78% of 2023 drawn debt now hedged.

Distribution for the six months to 31 December 2022

The Board of GPT has declared a distribution for the six months to 31 December 2022 of 12.3 cents per security. The distribution payment will be made on 28 February 2023.

Outlook

GPT is an owner and manager of high quality, diversified real estate assets, with assets under management of $32.4 billion including a balance sheet portfolio valued at $16.1 billion. Portfolio occupancy at 31 December 2022 was 97.5% and GPT expects that the quality of its portfolio will continue to attract ongoing tenant demand.

Global economies including Australia are facing ongoing inflationary pressures and central banks including the Reserve Bank of Australia have raised interest rates materially over the past 12 months. The rise in interest rates has increased GPT's cost of debt impacting the FFO outlook for the year ahead. GPT has 78% of its drawn debt hedged to reduce the exposure to further rate rises in 2023. The effect of rising bond yields is also observed in the slowing of investment capital flows and general economic uncertainty, increasing the potential for further softening of investment metrics adopted for valuations. Further tightening of monetary conditions is expected to moderate economic growth over the next 12 months.

GPT's Retail portfolio is well positioned with strong retail sales productivity, high occupancy, fixed rental increases and ongoing tenant demand. There has been a strong recovery in sales performance across GPT's Retail portfolio in 2022, supporting tenant financial strength, buoyed by low unemployment and elevated levels of household savings. However, given the persistent rise in interest rates over the past 12 months and further increases expected, together with inflationary pressures on households, it is anticipated that retail sales growth will moderate during the course of 2023.

GPT currently has 12% of its Office portfolio area vacant, and in 2023, 9% of the portfolio's lease income is due to expire. GPT is actively engaging with new and existing customers on their space needs and is pursuing a focused leasing strategy targeting occupancy of greater than 90% by 31 December 2023.

GPT's Logistics portfolio is expected to continue to benefit from ongoing structural tailwinds including strong tenant demand. Vacancy rates remain low and together with limited uncommitted new supply, this is expected to drive sustained rental growth across the Logistics portfolio and for new developments.

The Group retains a strong balance sheet position with net gearing of 28.5% and liquidity of $1.1 billion to meet funding requirements through to February 2025.

2023 Guidance

While uncertainty remains in our trading environment, including the impact of rising interest rates and ongoing inflationary pressure, the Group expects to deliver 2023 FFO of approximately 31.3 cents per security and a distribution of 25.0 cents per security.

Market Briefing

GPT will conduct a market briefing at 10.30am (AEST) today, 20 February 2023, which will be webcast via GPT's website www.gpt.com.au. Additional detail on GPT's 2022 Annual Result is available in the associated Annual Report, Presentation, Data Pack and Property Compendium released to the ASX today and available at www.gpt.com.au.

-ENDS-

Authorised for release by The GPT Group Board.

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