

15 August 2022

GPT first half 2022 NPAT of \$529.7 million and Interim distribution of 12.7 cents per security

The GPT Group ('GPT' or 'Group') announces its results for the six months to 30 June 2022.

1H 2022 Overview

- Net profit after tax (NPAT) of \$529.7 million (June 2021: \$760.5 million), with investment property valuation increases of \$219.5 million (June 2021: \$471.7 million)
- Funds From Operations (FFO) of \$326.5 million (June 2021: \$302.3 million) and FFO per security of 17.04 cents (June 2021: 15.64 cents)
- Interim distribution of 12.7 cents per security (June 2021: 13.3 cents per security)
- Net Tangible Assets per security (NTA) of \$6.26 (December 2021: \$6.09)
- Gearing of 27.3%, a weighted average cost of debt of 2.5% for the period and a weighted average debt term of 6.3 years
- UniSuper selected GPT to manage its \$2.8 billion direct real estate mandate, with management to commence in September 2022
- GPT expects to deliver 2022 FFO of approximately 32.4 cents per security and a distribution of 25.0 cents per security for the full year

GPT's Chief Executive Officer, Bob Johnston, said: "The Group delivered a solid result in the half, despite the ongoing impacts of the global COVID-19 pandemic and the uncertain economic environment driven by high inflation and rising interest rates. All three business segments reported increased Funds From Operations on the prior corresponding period.

"Notwithstanding the effects of COVID-19, our Retail portfolio continued to perform well with retail sales recovering to levels above 2019 pre-pandemic levels across most of our assets. Strong leasing outcomes have resulted in retaining high portfolio occupancy and leasing spreads continued to improve. Melbourne Central is benefiting from a return of students and tourists and there is a gradual return of CBD workers resulting in sales across most categories being close to pre-pandemic levels in the month of June.

"Leasing activity across the Office portfolio improved in the June quarter, with 51,900sqm of space being leased or under heads of agreement during the first half. The sub 1,000sqm tenant market remains most active although more recently there has been increased levels of enquiry from mid-size and larger tenants. The Office portfolio occupancy remains in line with December 2021 and management expects to continue to attract tenants through its active leasing strategies including premium fitted-out space and flexible work space offerings.

"Ongoing structural tailwinds in the logistics sector saw continued momentum in tenant demand, driving vacancy rates lower and resulting in strong market rental growth. Our Logistics portfolio maintained high occupancy and we continue to make good progress with the build out of our development pipeline and our partnership with QuadReal."

Retail

The Retail portfolio recorded a net revaluation uplift of \$97.3 million or 1.8% in the six months to 30 June 2022, with a Weighted Average Capitalisation Rate (WACR) of 4.98% at 30 June 2022 (December 2021: 5.03%).

Retail portfolio occupancy was 99.3% at 30 June 2022 (December 2021: 99.1%), with strong leasing activity resulting in 405 lease deals being achieved during the half. Deals completed had an average annual rental increase of 4.4% and an average lease term of 4.6 years. The leasing spread on expiry averaged -4.9% on these completed deals.

Total Centre sales were up 11.5% and Total Specialty sales were up 11.6% for the six months to 30 June 2022, compared to the same period in 2021. For the June 2022 quarter, Total Centre sales were up 18.0% and Total Specialty sales were up 18.8%, compared to the June 2021 quarter. Specialty sales productivity for the portfolio was \$9,593 per square metre (sqm) at 30 June 2022 (31 December 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. The asset continues to have strong demand from retailers and remains one of the country's leading retail destinations. Driven by solid growth in the General Retail, Leisure and Dining categories, in the month of June 2022 Melbourne Central traded at 91.4% of 2019 levels.

Development planning is well advanced for the mixed-use opportunity at Rouse Hill Town Centre, which will include 10,000sqm of incremental retail space and 218 residential apartments. The project is expected to commence in early 2023, subject to market conditions and authority approvals.

Office

The Office portfolio recorded a net revaluation uplift of \$6.8 million or 0.1% in the six months to 30 June 2022. The WACR of the portfolio remained stable at 4.77% at 30 June 2022.

Occupancy for GPT's \$6.2 billion portfolio was 92.0% at 30 June 2022, with a weighted average lease expiry (WALE) of 4.7 years. During the half, 28,300sqm of signed leases were achieved, with an additional 23,600sqm of terms agreed¹.

With elevated levels of vacancy in the office market, leasing remains competitive. GPT's differentiated space offerings appeal to a broad range of tenants and allows the Group to satisfy tenants' evolving office space needs. The Group invests in high quality Office assets, being 100% prime grade, which are benefiting from greater tenant demand compared to secondary assets.

During the period, the GPT Wholesale Office Fund (GWOF) secured rights to acquire adjacent properties at 153 and 157 Walker Street in North Sydney. The properties are strategically located in close proximity to the new Victoria Cross metro station currently under construction and the existing North Sydney train station. 157 Walker Street settled in June 2022 and 153 Walker Street is structured under a deferred settlement due to occur in 2024. The Fund is working to obtain Development Approval for a prime grade tower of over 45,000sqm across the site.

GPT has a portfolio of high quality, modern and sustainable Office assets in prime locations. Sustainability has increasingly become a differentiating factor in leasing. GPT's Office portfolio has a very high average NABERS Energy rating of 5.8 stars². Furthermore, GWOF's operating portfolio was re-certified as carbon neutral again in 2021, continuing to build on its inaugural certification as operating carbon neutral in 2020.

¹ Based on GPT and GWOF ownership Net Lettable Area.

² 5.8 stars with GreenPower, 5.2 stars without GreenPower.

Logistics

The Group continues to execute its Logistics growth strategy.

The portfolio recorded a \$115.4 million or 2.6% revaluation uplift in the six months to 30 June 2022, largely driven by leasing outcomes achieved and higher market rents. Valuation metrics remained relatively steady, with a portfolio WACR of 4.09% at 30 June 2022 (December 2021: 4.11%).

There has been significant leasing activity in the half, with 149,700sqm of signed leases and 78,200sqm of Heads of Agreement in place. Logistics occupancy was 98.7% at 30 June 2022 and the portfolio has a WALE of 6.2 years.

Logistics occupiers are investing in their supply chains, with take-up driving vacancy rates down to 0.3% in Sydney and 1.1% in Melbourne. Limited availability and continued demand for space have resulted in market rents rising significantly.

The GPT QuadReal Logistics Trust (GQLT) has now committed \$1 billion of the \$2 billion target, inclusive of pipeline projects. This incorporates an expanded landbank, with 35.2 hectares of land secured in Melbourne's north in early July 2022.

Two developments along with two fund-through projects totalling \$265 million have been completed in the year to date³. A further four development projects are underway, with two expected to complete by the end of this year and the remainder in 2023.

Our expanded development pipeline, inclusive of projects underway, has an expected end value on completion of \$1.9 billion³, providing the Group with a trajectory for further growth in the logistics sector.

Sustainability

GPT is a leader in ESG with more carbon neutral certified floorspace than any other Australian property owner, and this continues to grow.

In a new initiative, GPT is supporting the restoration of 1,100 hectares of Australian biodiverse native koala habitat in partnership with Greenfleet and the Traditional Owners for permanent removal of its development pipeline residual carbon emissions. The large scale of this nature positive initiative demonstrates GPT's commitment to operate assets on a carbon neutral basis and deliver upfront embodied carbon⁴ neutral developments.

Capital Management

The Group had \$1,124.0 million of available liquidity held in cash and undrawn bank facilities at 30 June 2022, a weighted average debt term of 6.3 years and a weighted average cost of debt of 2.5% in the period. GPT remains within its stated gearing range of 25% to 35%, with 27.3% net gearing at 30 June 2022. GPT maintains credit ratings of A (negative) and A2 (stable) by S&P and Moody's respectively.

In late July, interest rate hedging levels were increased resulting in the Group being 71% hedged on drawn debt as at 30 June 2022 for the next two and a half years at an average rate of 2.8%.

³ Assets under Management (AUM), inclusive of GQLT share.

⁴ As defined in World Green Building Council report, "Bringing embodied carbon upfront", 2019.

Outlook and 2022 Guidance

The Reserve Bank of Australia has commenced raising interest rates and GPT's cost of debt will increase in the second half of 2022 and further in 2023. The effect of rising bond yields may also lead to a softening of valuation metrics for real estate assets.

GPT is an owner and manager of \$27.4 billion of high quality, diversified real estate assets with a balance sheet portfolio valued at \$16.4 billion. Portfolio occupancy at 30 June 2022 was 97.5% and GPT expects that the quality of its portfolio will continue to attract ongoing tenant demand.

There has been a strong recovery in sales performance across GPT's Retail portfolio, buoyed by low unemployment and elevated levels of household savings. However, given rising interest rates, it is expected that retail sales growth will moderate.

While the office leasing market remains challenging, activity has improved and GPT is actively delivering high quality fitted-out space across its Office assets. This has proved to be an attractive proposition for many smaller to mid-size tenants. GPT's Office assets have an average NABERS energy rating of 5.8 stars and an increasing number of office tenants are seeking to be located in assets with strong environmental credentials.

The logistics sector is benefiting from ongoing structural tailwinds. Vacancy rates remain very low in the core markets nationwide, resulting in an expectation for further increases in market rents. With approximately half of the leases in GPT's Logistics portfolio to expire over the next 5 years, the portfolio is well positioned to capitalise on the strong market conditions in the sector.

The Group has a growing development pipeline with an estimated end value of \$8.1 billion, providing the opportunity to further invest in the logistics sector and to create next generation Office assets. The expansion of Rouse Hill Town Centre, including the development of residential apartments, is targeted to commence in early 2023.

While uncertainty remains in our trading environment, including rising interest rates, GPT expects to deliver 2022 FFO of approximately 32.4 cents per security and a distribution of 25.0 cents per security for the full year.

Distribution for the six months to 30 June 2022

The Board of GPT has declared a distribution for the six months to 30 June 2022 of 12.7 cents per security.

The distribution payment will be made in accordance with the following timetable:

- Ex-distribution date: Thursday, 18 August 2022
- Record date: Friday, 19 August 2022
- Payment date: Wednesday, 31 August 2022

Market Briefing

GPT will conduct a market briefing at 10.30am (AEST) today, 15 August 2022, which will be webcast via GPT's website www.gpt.com.au. Additional detail on GPT's 2022 Interim Result is available in the associated Interim 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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