

ASX Announcement

14 August 2023

GPT announces its 2023 interim result

1H 2023 Overview

- Net loss after tax of \$1.1 million (June 2022: Net profit after tax of \$529.7 million), with investment property valuation declines of \$341.3 million
- Funds From Operations (FFO) of \$316.7 million (June 2022: \$326.5 million) and FFO per security of 16.53 cents (June 2022: 17.04 cents)
- Interim distribution of 12.5 cents per security (June 2022: 12.7 cents per security)
- Net Tangible Assets per security (NTA) of \$5.85 (December 2022: \$5.98)
- Gearing of 28.1%, liquidity of \$1.5 billion, weighted average debt term of 6.1 years and a 4.1% cost of debt for the period
- GPT expects to deliver 2023 FFO of approximately 31.3 cents per security and a distribution of 25.0 cents per security for the full year.

The GPT Group ('GPT' or 'Group') announces its results for the six months to 30 June 2023.

GPT's Chief Executive Officer, Bob Johnston, said: "The Group remains on track to deliver on full year guidance provided earlier in the year, and has declared a distribution of 12.5 cents per security for the first half. The Group's balance sheet remains in good shape with gearing below 30% and approximately \$1.5 billion of available liquidity. The rise in bond yields has resulted in further softening of valuation metrics for real estate assets and a 3% decline in the valuation of the Group's property portfolio during the period.

"Our Retail portfolio has delivered strong performance during the period. There has been a strong return to in-store retailing post the pandemic and occupancy across the Retail portfolio remains high. While sales growth has moderated recently, retail sales across the portfolio are well above the prior comparable period and we continue to see tenants seeking to expand their store networks in quality assets.

"The office leasing environment remains challenging with hybrid and remote working impacting tenant demand. We continue to see a flight to quality as tenants seek out workplaces with quality fit-outs and amenity, and this trend has supported GPT's Office leasing outcomes during the first half with more than 58,000 square metres of leasing being achieved.

“Tenant demand for high quality logistics assets remains strong, driving positive leasing spreads and high occupancy for the Group’s Logistics portfolio. During the period, the Group completed three developments, and a further two projects are due to complete in the second half of the year. While valuation metrics have softened for logistics assets this has been largely offset by increases in market rents.”

Retail

Retail portfolio occupancy was 99.5% at 30 June 2023 (December 2022: 99.4%), with comparable income growth of 6.4%. Strong leasing activity resulted in 343 lease deals being completed during the period, with an average annual rental increase of 4.8% and an average lease term of 5.2 years being achieved. The leasing spread on deals completed in the half averaged +3.4%.

Total Centre sales were up 11.8% and Total Specialty sales were up 10.1% for the six months to 30 June 2023 compared to the same period in 2022. Specialty sales productivity for the portfolio was \$12,716 per square metre (sqm) at 30 June 2023 (December 2022: \$12,259 per sqm).

Melbourne Central has benefitted from increased levels of visitation, with Total Centre Moving Annual Turnover surpassing pre-pandemic levels. Total Centre sales were up 26.5% and Specialty sales were up 29.0% for the 6 month period compared to the same period in 2022. Customer visitation was strong, with 44.1 million visitors to the centre in the 12 months to 30 June 2023 and occupancy has increased to 99.7% (December 2022: 98.0%).

The Retail portfolio recorded a net revaluation decline of \$103.7 million or 1.8% in the six months to 30 June 2023, with a Weighted Average Capitalisation Rate (WACR) of 5.23% at 30 June 2023 (December 2022: 5.03%).

Office

During the half, 58,800sqm¹ of leasing including heads of agreement (HoA) was achieved. Office portfolio occupancy (including HoA) was 88.5% at 30 June 2023 (December 2022: 88.5%), with a weighted average lease expiry (WALE) of 4.8 years (December 2022: 5.0 years) and comparable income growth of -3.4%. The portfolio recorded a net revaluation decline of \$241.8 million or 4.0% in the six months to 30 June 2023, with the WACR increasing to 5.24% at 30 June 2023 (December 2022: 5.03%).

GPT’s leasing strategy is to deliver experience-led workplaces, focusing on quality, amenity, sustainability and flexibility. GPT DesignSuites provide customers with high quality, fully fitted and technology enabled workplaces and GPT’s flexible space offering enhances the portfolio’s appeal to customers and provides flexibility as their space needs evolve.

¹ Based on GPT and GPT Wholesale Office Fund (GWOF) Net Lettable Area.

The portfolio has high sustainability credentials, operating carbon neutral² and has an average NABERS Energy rating of 5.1 stars.

In May, GPT commenced a marketing campaign for the sale of the Group's 50% share of Australia Square. The process remains ongoing, however investor appetite in the office sector remains subdued.

Logistics

Occupier demand for Logistics space continues to outstrip supply, with market vacancy rates of 0.2% in Sydney, 1.1% in Melbourne and 0.6% in Brisbane. This extremely low vacancy environment, coupled with limited uncommitted supply under construction has resulted in market rental growth across the eastern seaboard of approximately 8% in the first half.

Logistics portfolio occupancy (including HoA) of 99.8% was achieved at 30 June 2023 (December 2022: 99.8%), with a WALE of 5.7 years (December 2022: 6.2 years) and comparable income growth of 5.1%.

Leasing of 109,100sqm (including HoA) was completed in the first six months of the year, with leasing spreads averaging +40%. There is further opportunity to access market rental growth from the portfolio as leases expire and through the development pipeline.

Three development completions occurred in the first half, fully leased on completion, with a combined value of approximately \$170 million³. A further two projects are scheduled to complete in the second half, with an estimated end value of approximately \$110 million³.

The Group's \$2 billion³ development pipeline is 100% weighted to eastern seaboard markets (50% Sydney, 39% Melbourne, 11% Brisbane), providing the Group with further opportunity to grow its weighting to the Logistics sector over time.

The Group continued to deliver on the GPT QuadReal Logistics Trust (GQLT) partnership, with \$600 million of assets under management, and a target commitment of \$2 billion (GPT 50.1%).

The portfolio recorded a \$3.2 million or 0.1% revaluation in the 6 months to 30 June 2023, including GPT's equity interest in GQLT, with a WACR of 4.78% (December 2022: 4.40%).

Capital Management

The Group had \$1.5 billion of available liquidity held in cash and undrawn bank facilities at 30 June 2023, a weighted average debt term of 6.1 years and a weighted average cost of debt of 4.1% in the period. GPT remains within its stated gearing range of 25% to 35%, with

² GPT and GWOFF operational office assets. Excludes assets under or held for development or assets under the operational control of the tenant.

³ Assets Under Management (AUM), inclusive of GQLT share. Estimated end value of pipeline.

28.1% net gearing at 30 June 2023. GPT maintains A space credit ratings with S&P and Moody's.

Distribution for the six months to 30 June 2023

The Board of GPT has declared a distribution for the six months to 30 June 2023 of 12.5 cents per security. The distribution payment will be made on 31 August 2023.

CEO Succession Process

The GPT Board continues to work with its advisers, Russell Reynolds and Associates, in relation to CEO succession and is seeking to conclude the process as soon as possible. GPT's current CEO, Bob Johnston continues to lead the Group and remains committed to assisting the Board with a smooth transition.

Outlook

GPT is an owner and manager of high quality, diversified real estate assets, with assets under management of \$32.2 billion including a balance sheet portfolio valued at \$15.9 billion. Occupancy (including HoA) of the Group's diversified portfolio at 30 June 2023 was 97.9%.

Over the last 12 months there has been a material step up in interest rates by the Reserve Bank of Australia to bring inflation back toward its target range. These measures are having an impact with economic growth slowing as a result. While it would appear the peak in the interest rate cycle is approaching, the rise in interest rates has increased the cost of debt and this has had a material impact on the Group's FFO.

Transaction activity has been limited over the last 12 months and it is expected that investment appetite, particularly for larger assets, will remain relatively muted for the balance of 2023. There is the potential for further softening of valuation metrics and asset values as transaction evidence emerges.

The Group continues to deliver strong results from its Retail portfolio. The transition of management of the \$2.8 billion UniSuper portfolio and the \$2.7 billion Australian Core Retail Trust in 2022, has provided deeper tenant relationships and operational leverage for the GPT Retail platform. While there has been a moderation in retail sales growth as a result of inflationary pressure and rising interest rates, the Group's portfolio is well positioned with high occupancy, ongoing tenant demand, fixed rental increases, and sustainable tenant occupancy costs.

The Group made solid leasing progress in the Office portfolio during the first half of 2023, however vacancy remains elevated and it is anticipated the leasing market will remain very competitive for some time. While market leasing conditions remain challenging, the Group is currently targeting to achieve Office portfolio occupancy (including HoA) of approximately 90% by the end of 2023.

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GPT's Logistics portfolio has occupancy of greater than 99%, and is well positioned to continue to deliver further growth through contracted rental increases and further development completions. Conditions are expected to remain favourable for the sector.

At 30 June 2023, the Group's balance sheet net gearing was 28.1%, below the midpoint of its stated gearing range of 25% to 35% and with liquidity of \$1.5 billion to meet funding requirements through to mid-2026. GPT has A space credit ratings with S&P and Moody's and over the next 3.5 years the Group is 72% hedged at an average rate of 3.5%.

GPT has a strong balance sheet and a high quality diversified portfolio, combined with an experienced management team, making it well positioned to create long-term value for securityholders.

2023 Guidance

While economic uncertainty remains in the Group's trading environment, GPT expects to deliver FFO of approximately 31.3 cents per security and a distribution of 25.0 cents per security for 2023, in line with previous guidance.

Market Briefing

GPT will conduct a market briefing at 10.30am (AEST) today, 14 August 2023, which will be webcast via GPT's website www.gpt.com.au. Additional detail on GPT's 2023 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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