22 February 2024

Growthpoint Properties Australia 1H24 Results[1]

Growthpoint Properties Australia (Growthpoint or the Group) today announces its financial results for the six months ending 31 December 2023 (1H24).

Financial

- Funds from operations (FFO) of 12.1 cents per security (cps), on track to meet FY24 guidance of 22.5 - 23.1 cps
- Statutory net loss after tax of -$120.4 million (1H23: -$109.6 million net loss after tax)
- Distribution of 9.65 cps, reflecting a payout ratio of 79.8%, in line with the Group's target payout ratio of between 75% and 85% of FFO
- Net tangible assets (NTA) per security of $3.75, down 6.3% relative to 30 June 2023 primarily driven by lower property valuations as a result of higher capitalisation and discount rates
- Gearing of 38.4%, up from 37.2% on 30 June 2023, within the target range of 35% to 45%

Portfolio

- Leasing success with 22,976 square metres of office leasing completed, or 6.1% of office portfolio income
- An increase in portfolio occupancy to 95% (30 June 2023: 93%), driven by higher office occupancy of 93% (30 June 2023: 90%). The industrial portfolio remains 100% occupied (30 June 2023: 100%)
- Portfolio valuation decline of 4.2% on a like-for-like basis over six months, with the portfolio valued at $4.6 billion at 31 December 2023 (30 June 2023: $4.8 billion)
- Completed the sale of 1-3 Pope Court, Beverley, SA for a gross sale price of $35.0 million, c.15% above the 30 June 2023 book value
- Weighted average capitalisation rate of 5.9%, up around 30 basis points from 30 June 2023
- Weighted average lease expiry (WALE) of 5.8 years (30 June 2023: 6.0 years)
- Recognised as GRESB Sector Leader in 2023 Sustainability Benchmark, scoring 84/100
- Funds under management (FUM) of $1.7 billion

Timothy Collyer, Managing Director of Growthpoint, said, "We are very pleased with the performance of the business, particularly in what continues to be a challenging property market environment. The Group achieved some very positive office leasing outcomes in Brisbane and Adelaide, whilst the industrial portfolio saw continued strong performance with higher rents and 100% occupancy. Office markets are experiencing higher-than-average vacancies, although the outlook for physical occupancy continues to improve. Our office portfolio is well positioned given recent leasing success and a lower vacancy rate relative to the broader market, high-quality tenants, long WALE, and strong sustainability credentials. Following 31 December 2023, the Group signed new leases and Heads of Agreement representing 1.5% of total portfolio income, reducing portfolio vacancy by a further 0.3%."

Outlook

The Australian economy continues to be underpinned by high levels of immigration, while inflation and short-term interest rates are moderating. Commercial real estate transaction activity remains below historical averages but is showing signs of recovery and the potential development pipeline for the office sector is anticipated to peak in 2024-25[2]. The Group maintains a long WALE of 5.8 years and strong portfolio occupancy delivering secure property rental cash flows. Along with a solid capital structure, appropriate hedging, ample covenant headroom and liquidity and no development projects to finance, the Group is well placed to navigate through the current challenges in property markets. The Group's funds management business maintains strong execution capability and is targeting sustainable and accretive growth in FUM through the cycle.

[1] Data contained in this release relates to the Group's directly held assets, unless otherwise indicated
[2] ANZ Research 'Australian Property Insights', 11 January 2024

After the strong 1H24 leasing performance and a positive start to CY2024, the Group reaffirms its FY24 FFO guidance of 22.5 - 23.1 cps and FY24 distribution guidance of 19.3 cps. A key assumption to guidance is with respect to interest rates, with the Group assuming an average FY24 floating rate of 4.35%.

A market briefing will be provided at 11.00 am this morning. To participate in the teleconference click here to register. To participate in the webcast click here to register.

This announcement was authorised for release by Growthpoint's Board of Directors.

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About Growthpoint

Growthpoint provides space for you and your business to thrive. Since 2009, we've been investing in high-quality industrial and office properties across Australia.

Today, we have $6.3 billion in total assets under management. We directly own and manage 57 high-quality, modern office and industrial properties, valued at approximately $4.6 billion. We manage a further $1.7 billion on behalf of third-party investors through our funds management business, which manages funds that invest in office, retail, and mixed-use properties across value-add and opportunistic strategies.

We actively manage our portfolio and invest in our existing properties, ensuring they meet our tenants' needs now and into the future. We are also focused on growing our property portfolio.

We are committed to operating sustainably and reducing our impact on the environment. We are targeting net zero by 2025 across our 100% owned on-balance sheet operationally controlled office assets and corporate activities.

Growthpoint Properties Australia (ASX: GOZ) is an internally managed real estate investment trust (REIT), listed on the ASX, and is part of the S&P/ASX 300. Moody's has issued us with an investment-grade rating of Baa2 for domestic senior secured debt.