



GPT Annual Result

18 February

2016

**GPT**  
The GPT Group

# Agenda

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# Group Strategy

Focus on core property sectors

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## Build on strong market position and high quality portfolio

- Maintain investment focus on Retail, Office and Logistics sectors
- Leverage expertise and scale to grow market position in each core sector
- Targeting a Group Total Return in excess of 8.5% p.a.

### GPT Portfolio

31 December 2015



## 2

### Maximise value of development pipeline opportunities

- Development pipeline of \$3 - 4 billion underpins growth of core portfolio
- Significant rezoning and mixed use outcomes inherent in the portfolio
- Continue to build the logistics platform through development and acquisitions

#### Enhancement



MLC Centre

#### Expansion



Rouse Hill

#### Redevelopment & Renewal



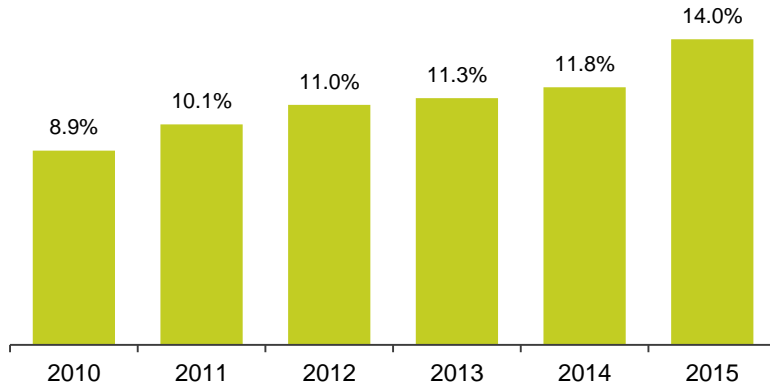
Sydney Olympic Park

### 3

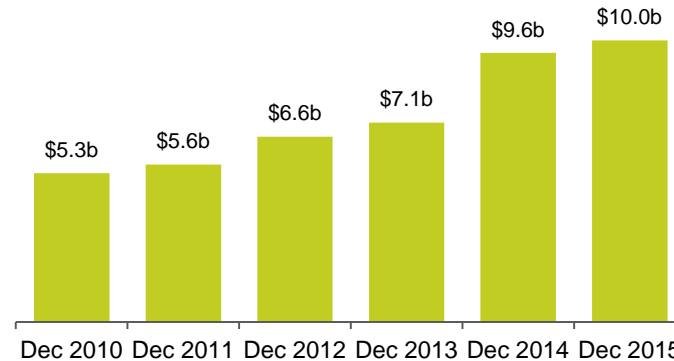
## Consolidate our position as a leading fund manager

- Renew GWOFF and GWSCF fund management terms
- Focus on performance, and position for growth in the medium term
- Sell non-core assets (\$280 million identified in GWOFF)

### GPT Total Return from Funds Management



### Growth in Funds Under Management

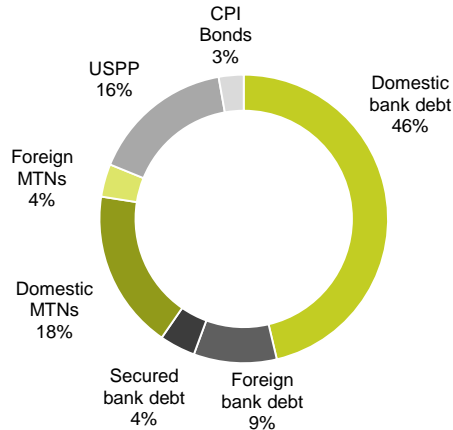


### 4

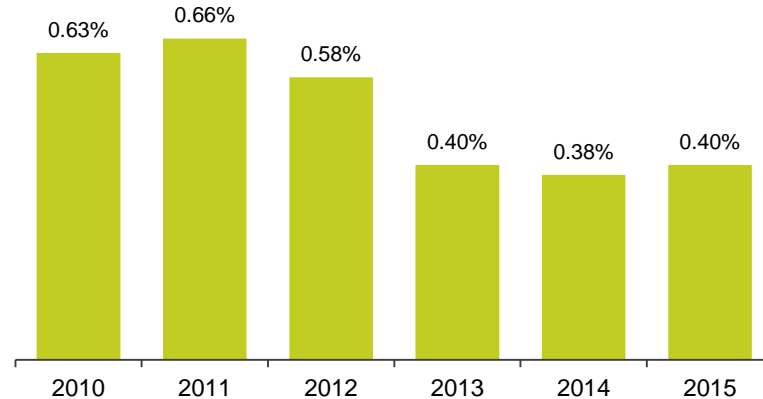
## Maintain strong capital position and efficient operating model

- Target gearing 25-35%
- Maintain “A” credit ratings
- Review of corporate overhead commenced

### Sources of Drawn Debt



### Management Expense Ratio



# Group Strategy

## Summary

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### Investment Portfolio

- Retain focus on 3 core sectors
- Drive organic growth through asset management
- Target a Group Total Return of greater than 8.5% p.a.

### Development

- Measured increase in exposure
- Internal pipeline of \$3 - 4 billion of investment product
- Maximise value of repositioning opportunities & mixed use outcomes

### Funds Management

- Consolidate position and renew Fund terms for GWOFF and GWSCF
- Focus on performance
- Position for growth over the medium term

### Strong Balance Sheet & Efficient Structure

- Gearing range 25-35%
- Maintain "A" credit ratings
- Ongoing focus on business efficiency

# 2015 Annual Result Highlights

Strong business platform delivers solid results

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## Delivering results from core business

5.5%

FFO<sup>1</sup> per security  
growth

11.5%

Total Return

## Capital Management

4.6%

Weighted average  
cost of debt

26.3%

Net gearing

## Investment Portfolio Performance

10.9%

Total Portfolio Return  
(unlevered return)

3.8%

Portfolio like for like  
income growth

## Portfolio leasing and occupancy

95.3%

Total portfolio  
occupancy

5.3 YRS

Weighted Average  
Lease Expiry

1. Funds From Operations



# 2015 Annual Result Summary

## Financial summary

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12 months to 31 December (\$m)	2015	2014	Change (%)
Net Profit After Tax	868.1	645.3	↑ 34.5%
Less: Valuation increases <sup>1</sup>	(432.1)	(249.5)	
Less: Distribution on exchangeable securities	(1.7)	(25.0)	
Add: Treasury items marked to market	74.0	89.1	
Less: Other	(6.6)	(7.8)	
<b>Funds From Operations (FFO)</b>	<b>501.7</b>	<b>452.1</b>	<b>↑ 11.0%</b>
Less: Maintenance capex and lease incentives	(118.6)	(95.1)	
<b>Adjusted Funds From Operations (AFFO)</b>	<b>383.1</b>	<b>357.0</b>	<b>↑ 7.3%</b>
Weighted average securities on issue (million)	1,773.9	1,686.3	
<b>Funds From Operations per stapled security (cents)</b>	<b>28.28</b>	<b>26.81</b>	<b>↑ 5.5%</b>
Distribution per stapled security (cents)	22.5	21.2	↑ 6.1%
<b>Total Return (12 months to 31 December)</b>	<b>11.5%</b>	<b>9.6%</b>	

1. Includes revaluations and fair value adjustments.

# 2015 Annual Result Highlights

## Segment result

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12 months to 31 December (\$m)	2015	2014	Change (%)
Retail NOI	251.7	248.7	Comparable growth +3.0%
Office NOI	153.8	141.8	Comparable growth +6.3%
Logistics NOI	91.4	85.9	Comparable growth +0.7%
GPT share of Fund FFO	98.2	87.1	
Investment Management expenses	(6.3)	(7.6)	
<b>Investment Management</b>	<b>588.8</b>	<b>555.9</b>	 5.9%
<b>Asset Management</b>	<b>7.8</b>	<b>5.6</b>	
<b>Development – Retail &amp; Major Projects</b>	<b>1.8</b>	<b>1.9</b>	
<b>Development – Logistics</b>	<b>2.2</b>	<b>6.5</b>	
<b>Funds Management</b>	<b>44.6</b>	<b>32.5</b>	 37.2%
Net interest expense <sup>1</sup>	(117.6)	(128.5)	
Corporate overheads	(33.1)	(30.1)	
Tax expense	(4.9)	(2.8)	
Non-core income	12.1	11.1	
<b>Funds From Operations</b>	<b>501.7</b>	<b>452.1</b>	 11.0%

1. Includes distribution to exchangeable securities

# Capital Management

Strong capital position

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	31 Dec 2015	31 Dec 2014	Change
Net tangible assets per security	\$4.17	\$3.94	↑ 5.8%
Total borrowings	\$2,948m	\$2,718m	8.5%
Gearing (net debt to total tangible assets)	26.3%	26.3%	-
Look through gearing (net debt to total tangible assets)	27.8%	28.2%	(40) bps
Weighted average cost of debt	4.6%	4.8%	↓ 20 bps
Weighted average term to maturity	5.1 years	5.8 years	(0.7) years
Interest cover ratio	5.3 times	5.4 times	(0.1) times
Credit ratings	A- (positive) A3 (stable)	A- (positive) A3 (stable)	-
Weighted average term of interest rate hedging	5.6 years	6.6 years	(1.0) years
Average interest rate hedging over the hedge term	57%	60%	(300) bps

# Retail Portfolio

2015 highlights – High quality portfolio delivering strong results

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3.0%

like for like income growth

6.5%

specialty sales MAT growth

\$133.7m

valuation uplift

5.58%

weighted average cap rate

99.2%

occupancy

## Portfolio Commentary

- 8.9% Total Portfolio Return for the 12 month period
- Solid like for like income growth
- Strong retail sales
- Leasing spreads improving
- Divestment of Dandenong Plaza

## Retail Markets & Outlook

- Higher disposable incomes supported by low interest rates and a strong housing market
- Lower AUD driving domestic spend
- 83% of the Retail portfolio located in strong markets of NSW and Victoria
- Retail fundamentals remain strong

Note: Portfolio statistics exclude Assets Held for Sale: Dandenong Plaza

# Retail

Cap rate compression contributing to a valuation uplift of \$133.7m

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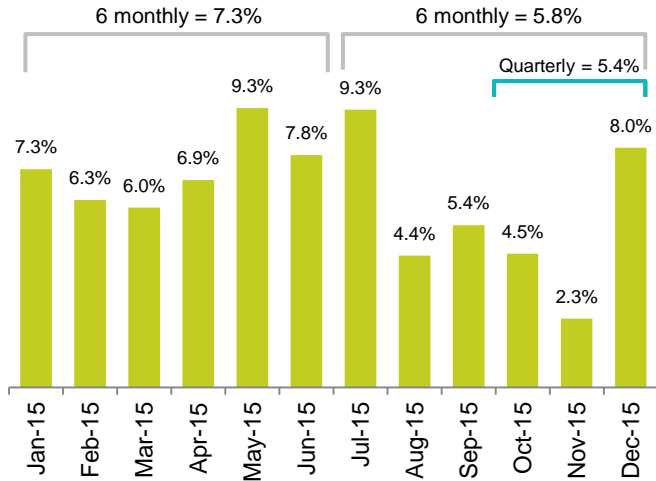
- Strong cap rate compression of 29bps across the portfolio

Property	Valuation Uplift 2015	
	\$m	%
Melbourne Central	\$64.8	6.1%
Rouse Hill Town Centre	\$38.5	7.7%
Westfield Penrith (50%)	\$22.8	4.0%
Highpoint (16.66%)	\$11.0	3.3%
Casuarina Square (50%)	\$4.0	1.4%
Charlestown Square	\$1.6	0.2%
Sunshine Plaza (50%)	\$0.4	0.1%
GWSCF Ownership	(\$9.3)	(1.4%)
<b>Total</b>	<b>\$133.7</b>	<b>2.6%</b>

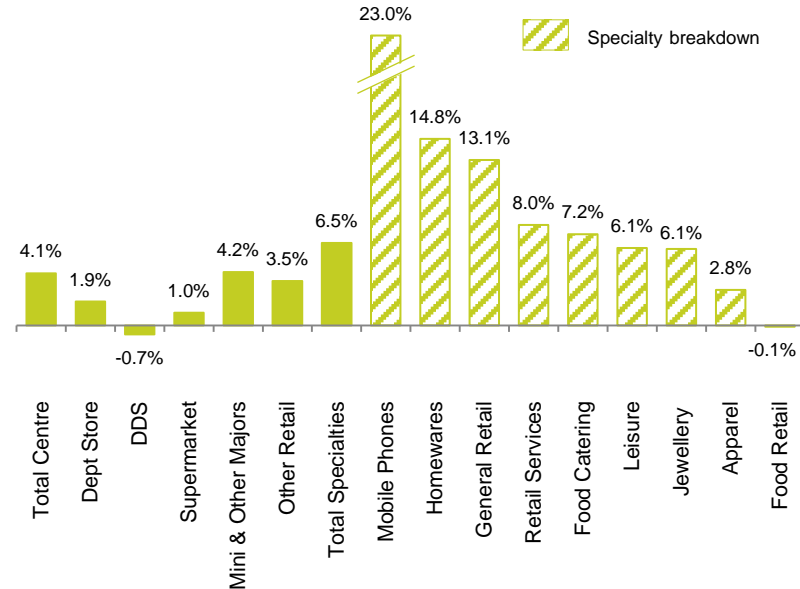
Note: Portfolio statistics exclude Assets Held for Sale: Dandenong Plaza



### Monthly Specialty Sales Growth<sup>1,2</sup>



### Moving Annual Change in Retail Sales by Category<sup>1</sup>



1. Based on GPT weighted interest. Excludes development impacted assets (Wollongong Central) and Assets Held for Sale (Dandenong Plaza).  
 2. Chart excludes Forestway Shopping Centre from November 2015 following the sale of the asset by GWSCF.

# Retail

Strong sales growth underpinning positive leasing results

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## Portfolio Highlights

### Highpoint

Delivery of Level 1 Asian Dining and Entertainment Precinct opened July 15

### Charlestown Square

Delivery of an International Mini Major precinct, due to open September 16

### Melbourne Central

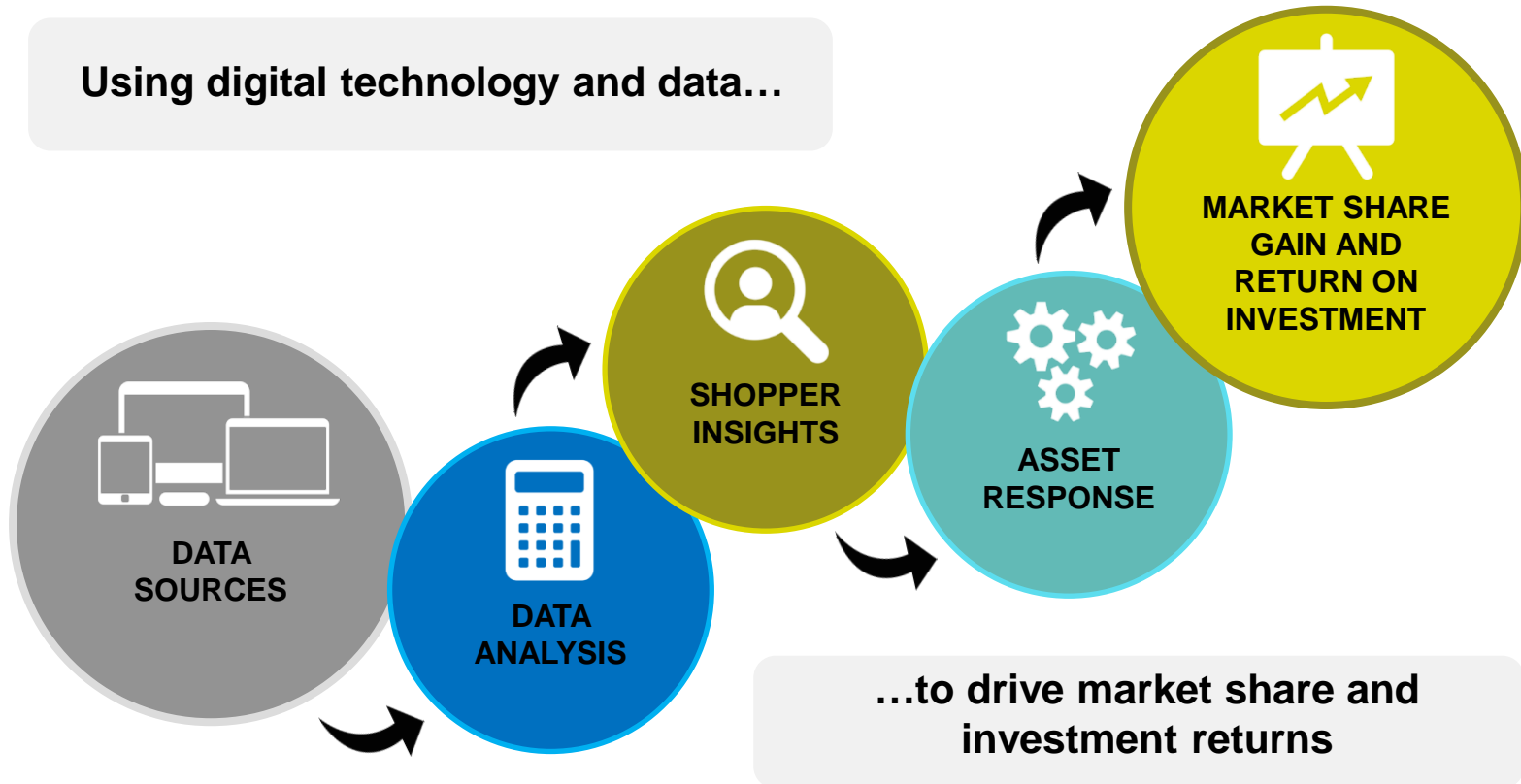
Strong leasing activity including the opening of Sephora (first to Melbourne market), in November 15

12 months to 31 December	2015	2014
Specialty Base Rent Expiry	28%	21%
Specialty Base Rent Holdover	129 (6%)	110 (6%)
Specialty WALE	2.5 years	2.5 years
Specialty MAT sales psm	\$10,460	\$9,754
Specialty Occupancy Cost	17.4%	17.9%
Leasing Spreads	(1.6%)	(4.2%)
Retention Rate	70%	61%

Note: Portfolio statistics exclude Assets Held for Sale: Dandenong Plaza



Using digital technology and data...





# Retail

Evolving retail mix as part of the retail development pipeline

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Property	Forecast Total Cost	GPT's Share	GWSCF's Share	Development Opportunity
<b>GPT Assets</b>				
Casuarina Square	\$34m	\$17m	\$17m	Leisure and Entertainment
Rouse Hill Town Centre	\$300m	\$300m	-	Dept. Store, specialty retail and mixed use
Sunshine Plaza	\$400m	\$200m	-	Dept. Store and specialty retail
Casuarina Square	\$230m	\$115m	\$115m	Dept. Store and specialty retail
<b>GWSCF Assets</b>				
Macarthur Square	\$240m	-	\$120m	Expanded DDS, Fresh Food, Mini Majors
Highpoint	\$450m	\$75m	\$262m	Mini Majors and specialty retail
Westfield Woden	\$200m	-	\$100m	Mini Majors and specialty retail
Chirnside Park	\$70m	-	\$70m	Expanded DDS and specialty retail
Parkmore Shopping Centre	\$30m	-	\$30m	Additional supermarket

# Office Portfolio

2015 highlights – Portfolio delivering strong results

17

6.3%

like for like income growth

133,925 sqm

leases signed

96.0%

occupancy

\$212.7m

valuation uplift

5.94%

weighted average cap rate

## Portfolio Commentary

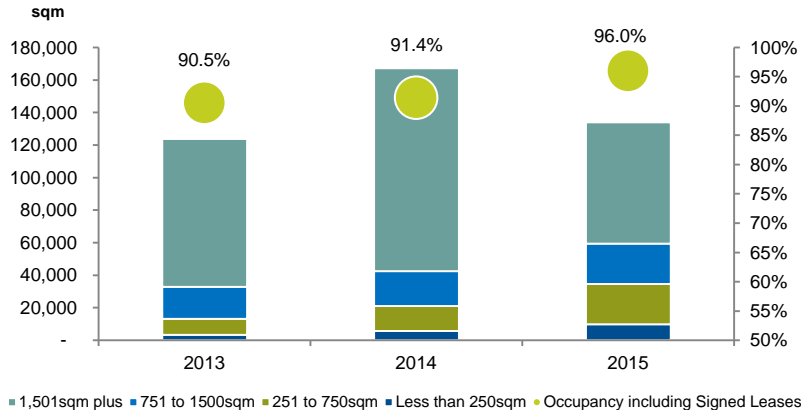
- 12.8% Total Portfolio Return with all assets recording positive revaluations
- Occupancy increased by 4.6% to 96.0%
- Portfolio cap rate tightened 47 bps
- WALE of 5.8 years
- Investing in the portfolio with \$300 million of projects planned or underway

## Office Markets & Outlook

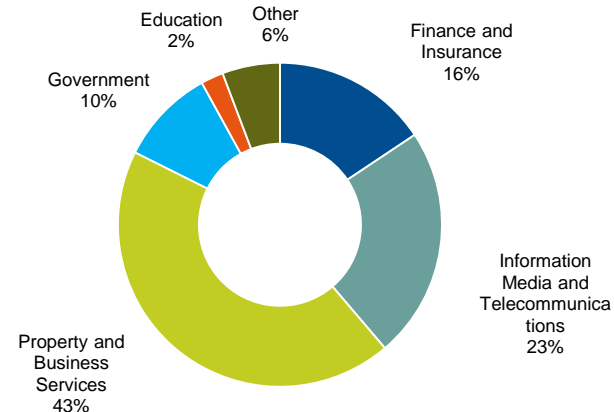
- 88% of portfolio in strongest markets of Sydney and Melbourne
- Sydney and Melbourne achieving positive demand and rental growth
- Brisbane showing some early signs of improved office demand
- Robust investor demand driving cap rates close to historical lows

- 133,925 sqm of leases signed, and 39,670 sqm of deals at Heads of Agreement stage
  - Average incentive of 28% (19% including effective deals)
- Space requirements led by Property and Business Services and Information and Technology sectors
  - Amazon lease of 9,300 sqm at 2 Park Street concluded in 2H15
- Small tenants dominating demand
  - 197 negotiated leasing deals (including Heads of Agreement) with average deal size of 881 sqm

**Portfolio Occupancy & Leasing by Size Cohort**



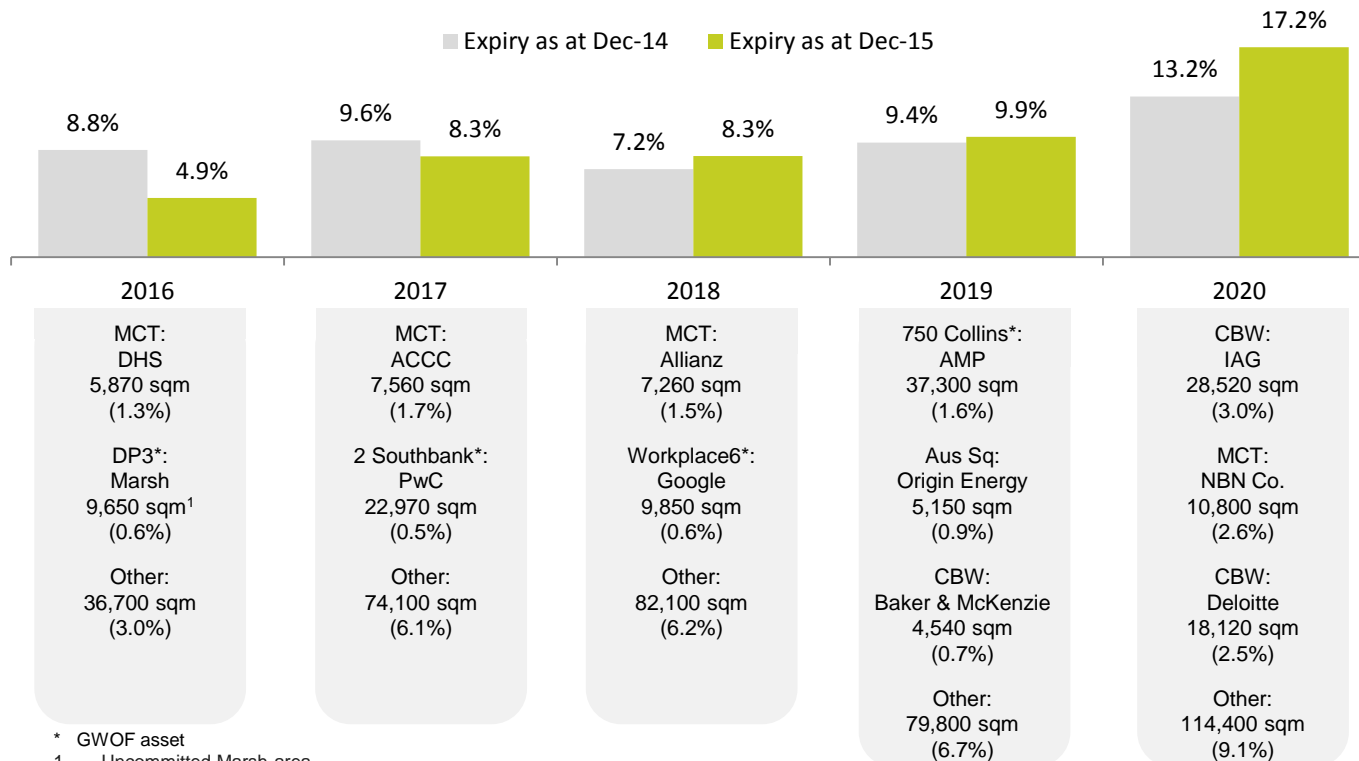
**Total Leasing Volume by Sector**



- Cap rate compression, market rental growth and a reduction in downtime from forward solving expiries has resulted in \$212.7 million of revaluations for the period.

Property	Valuation Uplift 2015		Comment
	\$m	%	
2 Park Street	\$40.1	9.3%	Reduction in downtime and cap rate compression
Melbourne Central Tower	\$28.0	6.5%	Reduction in downtime and firming of metrics
One One One Eagle Street	\$22.6	9.2%	Cap rate compression
MLC Centre	\$17.5	4.6%	Reduction in downtime due to a high volume of leasing
1 Farrer Place	\$16.3	4.8%	Rental growth and cap rate compression
Corner of Bourke and William Streets (CBW)	\$11.3	3.7%	Moderate cap rate compression and rental growth
Australia Square	\$3.8	1.2%	Moderate cap rate compression
GWOF Ownership	\$73.1	8.2%	Rental growth and cap rate compression
<b>Total</b>	<b>\$212.7</b>	<b>6.3%</b>	

### Lease Expiry Profile by Income



\* GWO asset

1. Uncommitted Marsh area

Note: Includes Signed Leases and Heads of Agreements

# Logistics Portfolio

2015 highlights – Portfolio well positioned

21

0.7%

like for like income growth

92.3%

occupancy

\$300m

developments completed

\$88m

valuation uplift<sup>1</sup>

7.03%

weighted average cap rate

## Portfolio Commentary

- 13.7% Total Portfolio Return for 12 month period
- High portfolio WALE of 8.2 years due to significant leasing and new investment product completed during the year
- Lower portfolio occupancy due to Melbourne vacancies
- \$112m of asset sales at an average premium to book value of 44%
- Brisbane development projects on track with increasing tenant inquiry

## Industrial Markets & Outlook

- Improving tenant demand in key markets of Sydney and Melbourne
- Strong investment demand for both prime and secondary grade assets
- Focus on value creation opportunities within portfolio and creating product out of land bank

1. Excludes the gain on sale of 1&2 Murray Rose

## Revaluations of \$99.5m<sup>1</sup> driven by cap rate compression, leasing and sales

### DEVELOPMENT

**\$20.3 million**

#### Development

- \$300m completed in FY15
- Completions:
  - Rand, Erskine Park
  - Coles, Erskine Park
  - 3 Murray Rose, SOP

### INVESTMENT PORTFOLIO

**\$45.3 million**

#### Enhancing and re-leasing

- Value-add leasing
  - 165,977 sqm leased
- Leasing driving valuation upside
  - Somerton leasing to Murray Goulburn
  - Quad 4 new 15 year lease
  - Citiport 7,600 sqm
  - Yennora lease extension

### ASSET SALES

**\$33.9 million**

#### Non-core asset sales

- \$112m in sales
- 44% premium to book value
  - Berry Street
  - Pinkenba
  - 1&2 Murray Rose, SOP

1. Includes the gain on sale of 1&2 Murray Rose Avenue.

### Development completions – \$300 million end value

Asset	End Value	WALE	Completion Date
Coles RRM, Erskine Park	\$135.0m	20 years	June 2015
Rand, Erskine Park	\$84.3m	20 years	February 2015
3 Murray Rose, Sydney Olympic Park	\$80.2m	7 years	March 2015

### Development Pipeline – 135 hectare land bank with potential end value of \$400 million

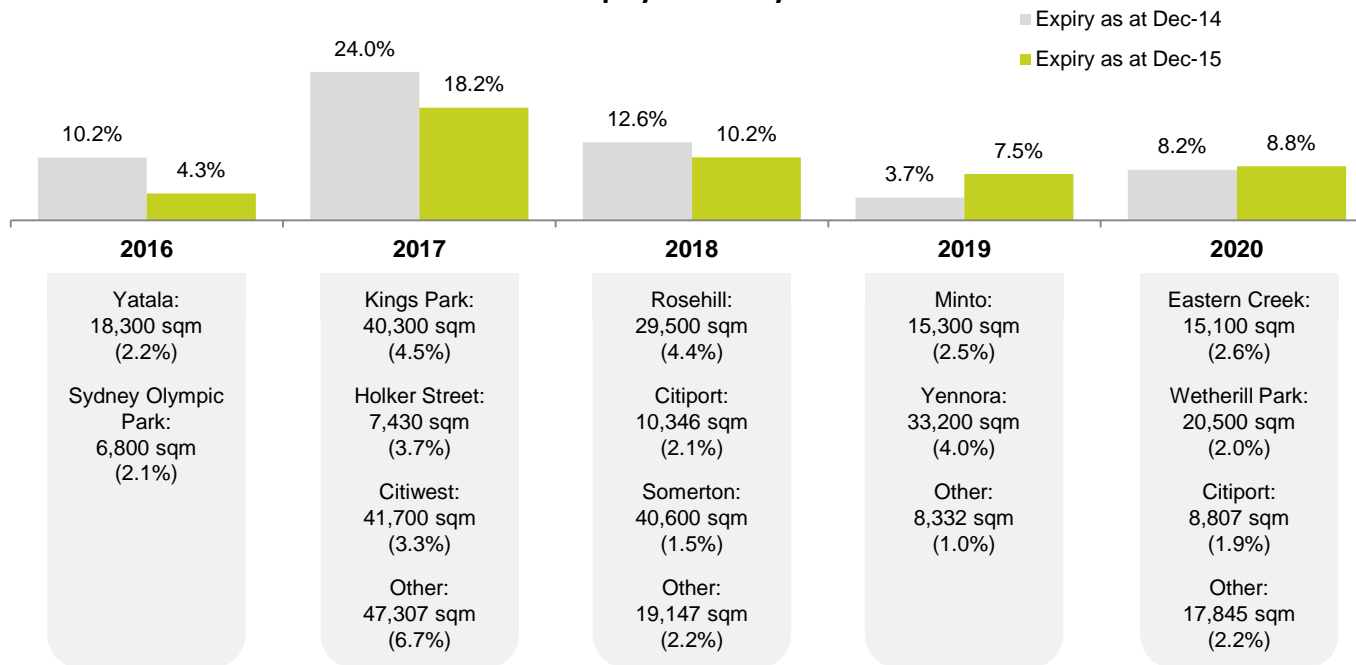
Asset	Land Value	Area	Timing
Metroplex Wacol, Brisbane <sup>1</sup>	\$46.5m	58.3 ha	2016 – 2021
Austrak Business Park, Somerton <sup>1</sup>	\$19.4m	35.8 ha	2016 – 2020
Wembley Business Park, Berrinba, Brisbane	\$28.1m	21.0 ha	2016 – 2020
Other	\$43.5m	20.2 ha	2016 – 2018
<b>Total</b>	<b>\$137.5m</b>	<b>135.3 ha</b>	

1. Joint venture



- Minimal expiry over next 12 months: two expiries in Dec 2016
- 2017 expiries reduced from 24% to 18%

### Lease Expiry Profile by Income



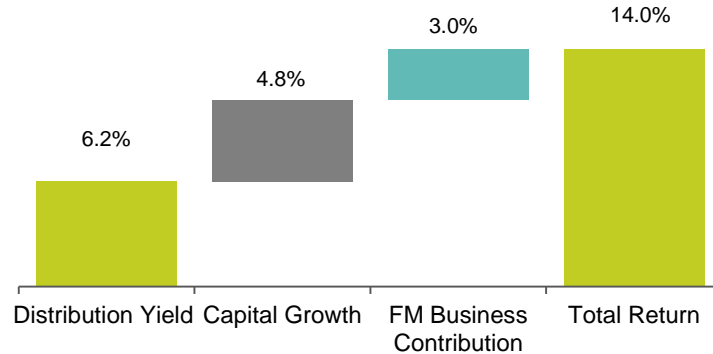
# Funds Management

Strong contribution to overall Group return

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- FM business generated a 14.0% total return to the Group over the year
- FUM increased by 4.6% during the year to \$10.0 billion
- GPT Wholesale Office Fund
  - ✓ 14.9% return over the 12 months
  - ✓ Net performance fee of \$6.9m
  - ✓ Discussions progressing on the Fund terms review
- GWSCF return impacted by a decline in portfolio valuation
- GMF distributions ahead of PDS forecast, and NTA increased by 13.2% to \$2.15

## GPT Total Return from Funds Management



Fund	FUM	GPT's Investment	Return (1Yr IRR)
GWOFF	\$5.8b	\$980.3m	14.9%
GWSCF	\$3.8b	\$623.3m	4.4%
GMF	\$0.4b	\$36.0m	13.6% <sup>1</sup>
<b>Total</b>	<b>\$10.0b</b>	<b>\$1,639.6m</b>	

1. Total Unitholder Return

## Well positioned to deliver growth

- ▶ High portfolio occupancy with structured rent increases
- ▶ Organic growth opportunities through internal development pipeline
- ▶ Strong balance sheet

### 2016 Guidance

- ▶ FFO per security growth of 4-5%

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Information is stated as at 31 December 2015 unless otherwise indicated.

All values are expressed in Australian currency unless otherwise indicated.

FFO is reported in the Segment Note disclosures which are included in the financial report of The GPT Group for the twelve months ended 31 December 2015.

To provide information that reflects the Directors' assessment of the net profit attributable to stapled securityholders calculated in accordance with Australian Accounting Standards, certain significant items that are relevant to an understanding of GPT's result have been identified. The reconciliation FFO to Statutory Profit is useful as FFO is the measure of how GPT's profitability is assessed.

FFO is a financial measure that represents GPT's underlying and recurring earnings from its operations. This is determined by adjusting statutory net profit after tax under Australian Accounting Standards for certain items which are non-cash, unrealised or capital in nature. FFO has been determined based on guidelines established by the Property Council of Australia and is intended as a measure reflecting the underlying performance of the Group.