
ASX ANNOUNCEMENT

19 May 2014

PROPOSED ESTABLISHMENT OF NEW EXTERNAL FUND AND ACQUISITION OF PORTFOLIO OF PROPERTIES FROM UGL LIMITED

GDI Property Group today announced that it has reached agreement on final terms to acquire a portfolio of seven properties from UGL Limited on a sale and leaseback basis for a total purchase price of \$66.5 million. The acquisition is subject to execution of formal documentation, which is expected to occur by Friday, 23 May 2014, and the satisfaction of customary conditions precedent to settlement.

The portfolio ("**New Portfolio**") comprises six industrial properties and an office property which are geographically diversified across New South Wales, Queensland and Western Australia. It is proposed that the New Portfolio will form the basis of a new external unlisted and unregistered property trust, GDI No. 38 Diversified Property Trust, ("**New Fund**") which is proposed to be launched by GDI Property Group in the coming weeks, and which is not available to retail clients.

Key features of the proposed New Fund include:

- the proposed lease arrangement to UGL Limited is for a ten year term with one five year option (except for the lease of the property in Newcastle, NSW, which has two five year options) and is structured on a triple net lease basis for the six industrial properties and a net lease basis for the office property. Annual rental increases are the greater of CPI + 1%, or 3%.
- the New Fund will be offered to wholesale clients under an Information Memorandum¹ and is expected to have an initial distribution yield of 9.75% for the financial year ending 30 June 2015². GDI Property Group will be seeking to raise approximately \$43.5 million from these investors.

Mr Steve Gillard, Managing Director of GDI Property Group, commented that the proposed establishment of the New Fund and acquisition of the New Portfolio is consistent with GDI Property Group's investment mandates and strategy of acquiring well located properties with multiple exit options. He stated that the New Fund would offer wholesale and sophisticated investors the potential of receiving high distributions yields and capital gain through selective capital improvements and redevelopment, rezoning and subdivision of properties in the New Portfolio. Mr Gillard also stated that given these features, he anticipated strong demand from the fund management business' investor base.

The capital raising for the New Fund is currently expected to close before 20 June 2014, with settlement of the acquisition of the New Portfolio currently expected to occur prior to 30 June 2014 (although the last date for settlement is 90 days from exchange).

233 CASTLEREAGH STREET, SYDNEY

As disclosed in the GDI Property Group Prospectus and Product Disclosure Statement dated 25 November 2013 ("**Offer Document**"), GDI Property Group has been investigating the feasibility of alternative redevelopment options, including residential conversion, for its property at 233 Castlereagh St, Sydney ("**Sydney Property**"). GDI Property Group believes that the Sydney Property offers an attractive opportunity for residential conversion given its location, outstanding views from the upper levels and the potential scale of a residential development on the site, and has engaged planning consultants and architects to progress the investigation of this opportunity.

In anticipation of a potential sale to a developer, GDI Property Group has also reviewed its asset management strategies for the Sydney Property. The anticipated impact of the likely revised asset management strategies is a possible reduction in the Funds From Operations³ ("**FFO**") relating to the Sydney Property, compared to the Offer Document forecasts. At this stage these amounts are unquantifiable, but GDI Property Group believes that the potential value uplift from any residential conversion of the Sydney Property would more than compensate for a possible reduction in FFO relating to the Sydney Property.

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¹ This announcement does not constitute an offer to any person. The offer under the Information Memorandum will only be made to persons who are wholesale clients for the purposes of section 761G or section 761GA of the Corporations Act. The trustee of the New Fund is GDI No. 38 Pty Limited ACN 167 648 151 (the Trustee), which does not hold an Australian financial services licence. Accordingly, no offer will be made to any person other than an offer by GDI Funds Management Limited ACN 107 354 003 AFSL 253 142 (GDIFM) to arrange the issue of units, under an agreement between the Trustee and GDIFM in accordance with section 911A(2)(b) of the Corporations Act. The information in this announcement has been prepared without taking into account the investment objectives, financial situation or needs of any person. Before making an investment decision, you should read the Information Memorandum (when released) and consider whether the investment is appropriate for you in light of your particular investment needs, objectives and financial circumstances. We recommend you seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the New Fund. No GDI Property Group entity guarantees any particular rate of return, the performance of any investment in the New Fund or the repayment of capital from the New Fund. Investments are subject to investment and other risks. This could involve delays in repayment and loss of income or capital invested.

² The expected yield is based on certain assumptions and may not be achieved.

³ Funds From Operations is a Property Council of Australia concept which adjusts statutory AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, rental straight-line adjustments and other unrealised one-off items. FFO Yield represents the FFO per Stapled Security dividend by the Offer Price in FY14 and FY15 respectively.

The forecasts are based on certain assumptions and may not be achieved. If the actual outcomes differ from the assumptions, the actual Funds From Operations Yield and/or Distribution Yield may not be as forecast. The forecast funds from Operations Yield and Distribution Yield are not indicative of Funds From Operation Yield and Distribution Yield beyond the forecast period.