

asx release+

Goodman reaffirms FY2015 earnings guidance, underpinned by strong development and fundamental property performance

Date 6 May 2015

Release Immediate

Goodman Group (Goodman or Group) has today announced an operational update for the third quarter ended 31 March 2015, which highlights the continuing strong operating performance across the Group's global platform into the second half of FY2015. Sustained activity levels and development momentum are providing certainty around FY2015 earnings and transparency into the growth outlook for FY2016.

Operational highlights

- + Total assets under management increased to \$30.3 billion
- + Leased more than 2.5 million sqm across the Group and Partnerships year to date, representing \$284 million of annual rental income
- + Occupancy maintained at 96% across the Group and Partnerships, achieving a weighted average lease expiry of 4.3 years
- + Asset rotation improving portfolio quality – \$1.4 billion of assets sold year to date, with capital recycled into development activities, driving higher returns
- + Development work in progress of \$3.0 billion across 71 projects, with a forecast yield on cost of 8.8%
- + Disciplined approach to development activities, with 92% of all development completions pre-sold and capital recycled into new projects
- + Urban renewal strategy progressing in line with expectations - \$0.7 billion of sites conditionally contracted in Sydney, with sales proceeds expected to be realised over the next two years
- + Asset revaluations of \$0.7 billion estimated for FY2015 (includes \$0.3 billion recognised in the first half), with significant contribution from urban renewal
- + External assets under management increased to \$25.4 billion, up \$3.0 billion from 30 June, reflecting development completions, rising valuations and currency movements
- + Partnerships prudently managing capital, with significant uncalled capital and proceeds from asset sales funding growth opportunities

Goodman Group

Goodman Limited | ABN 69 000 123 071

Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621

as responsible entity of Goodman Industrial Trust | ARSN 091213 839

Level 17, 60 Castlereagh Street, Sydney NSW 2000 | GPO Box 4703, Sydney NSW 2001 Australia

Tel +61 2 9230 7400 | Fax +61 2 9230 7444

Goodman Logistics (HK) Limited | Company No. 1700359 | ARBN 155 911 149 | a Hong Kong company with limited liability

Suite 2008, Three Pacific Place, 1 Queen's Road East, Hong Kong | Tel +852 2249 3100 | Fax +852 2525 2070

info-au@goodman.com | www.goodman.com

Goodman's Group Chief Executive Officer, Greg Goodman said: "Goodman has performed strongly in the third quarter of FY2015, reflecting the consistent and disciplined execution of our business strategy, which is providing the Group with significant financial and operational flexibility for future periods. We have a highly diversified operating platform, with a portfolio of 433 properties spanning 16 countries and are one of the largest and most diversified developers of industrial real estate, with a \$3 billion workbook comprising 71 projects in 10 countries.

Our ongoing focus in the current low growth, low interest rate environment is on improving the quality of our assets and income, by selectively recycling assets across the Group and our Partnerships, and reinvesting capital into higher quality assets from Goodman's development activities and selective investment opportunities to drive higher long-term returns for our partners."

Investments

Total assets under management have grown to in excess of \$30 billion as at 31 March, largely driven by \$1.8 billion of development completions, ongoing cap rate compression and currency movements. Solid leasing activity was achieved in the quarter, reflecting customer demand for prime logistics space. This has supported overall leasing activity of 2.5 million sqm across the Group and Partnerships in the financial year to date, equating to \$284 million of annual property income, with positive reversions of 4.4% on new leases. The leasing success achieved has underpinned stable occupancy of 96% across Goodman's overall portfolio.

Attractive capital market conditions are providing the Group with ongoing opportunities to selectively rotate assets where value has been maximised. As a result, \$1.4 billion of properties across the Group and Partnerships have now been sold in the financial year to date. Asset recycling has been most prominent in Australia and the United Kingdom (UK), with \$320 million and \$415 million of property assets sold in the financial year to date respectively. The asset sales undertaken in the UK have helped to improve the overall quality of the UK Business Parks portfolio, with occupancy reaching its highest level of 98% at the end of the quarter. Reflecting the ongoing strong investor demand for high quality industrial assets, Goodman has a further \$500 million of assets currently on the market.

Urban renewal

The Group continued to progress its urban renewal strategy during the quarter, which is focused on optimising returns for individual properties. Positive planning outcomes are being achieved on a number of sites and Goodman is working through its current urban renewal pipeline, which has been maintained at in excess of 35,000 apartments in Sydney and Melbourne. This is expected to increase meaningfully over time as urban renewal precincts continue to evolve and new sites are identified.

Goodman has \$0.7 billion of sites conditionally contracted in Sydney, reflecting the strong demand for zoned residential sites. Sale proceeds are expected to be realised over the next two years, providing capital over the longer term to fund opportunities for the Group and Partnerships.

Asset revaluations for the full year are estimated to be \$0.7 billion, which includes \$0.3 billion recognised in the first half. Urban renewal remains significant, contributing over 50% of revaluations.

Developments

Goodman's development business performed strongly over the quarter, driven by growing volumes and customer demand for modern, well-located logistics space designed to achieve greater operating efficiencies and returns. As a result, development work in progress increased

to \$3.0 billion, with the Group retaining its position as one of the largest developers of industrial property globally. Importantly, Goodman's prudent approach to mitigating development risk is evident with 92% of all development completions pre-sold to its Partnerships or third parties.

The limited supply of logistics space continues to underpin customer demand in a number of operating regions where Goodman is undertaking a development-led strategy, with targeted uncommitted projects having commenced in markets, including the US, UK and Japan. In Brazil, the Group's focus remains on selective pre-committed opportunities, with developments now totalling A\$260 million across three projects.

Robust economic conditions in New Zealand is driving higher volumes and growth in its development workbook to A\$300 million, with new developments announced at Auckland's Viaduct Quarter and Highbrook Business Park. In Australia, the relocation of customers as a result of the change in use of traditional industrial sites is also benefitting the Group, with new relocation projects secured on behalf of customers.

A key feature of the robust customer demand in Europe and China is the realisation of cross-border opportunities with global customers and the ability to provide recurring solutions to meet their needs.

The Group's North American strategy is focused on the build out of its land bank, with A\$260 million of projects currently underway in the Inland Empire West market in Southern California. Planning continues to progress on sites in New Jersey and Pennsylvania and with available capital, the North American portfolio is positioned to grow to A\$2 billion.

Management

Goodman's Partnerships remain well supported by global investor groups, endorsing Goodman's contemporary fund management approach and independent governance structures. The Partnerships are prudently managing capital on behalf of investment partners, with significant uncalled capital and proceeds from the sale of assets, to access high quality growth opportunities not typically available on the market. With development generating the highest risk adjusted returns at this point in the property cycle, the strategic focus of Goodman's Partnerships is on targeted asset selection and rotation to maximise investment returns and long-term value creation.

During the quarter, Goodman Property Trust (GMT) in New Zealand completed its NZ\$500 million strategic partnership with Singapore's GIC. Partnerships also continue to transition, extend and diversify their debt platforms to unsecured debt platforms, completing \$3.8 billion of debt refinancing in the financial year to date with an average 4.6 year term to expiry, including the most recent USPP issue by GMT in New Zealand.

Outlook

Goodman is well positioned to deliver on its stated outperformance over the remainder of FY2015, with transparency into the growth outlook for FY2016. The low interest rate environment is expected to prevail over the medium-term, supporting the Group's asset recycling initiatives and focus on improving asset and income quality, with capital reinvested into its development workbook. The strength of Goodman's high quality development business is a significant point of difference and expected to be a key driver in the continued growth of assets under management. Accordingly, Goodman reaffirms its forecast FY2015 full year operating earnings per security of 37.2 cents, up 7% on FY2014.

- Ends -

For further information, please contact;
Greg Goodman
Group Chief Executive Officer
Tel: + 612 9230 7400

About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist fund managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant fund management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

For more information: www.goodman.com

