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Goodman performs strongly in Q3 FY2016, with continued momentum across its operating platform

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Release Immediate

Goodman Group (Goodman or Group) has today announced an operational update for the quarter ended 31 March 2016, with continued strong operating performance into the second half of FY2016, underpinned by increased activity levels across its global development and management activities. The Group is capitalising on the demand for modern, high quality logistics space through its focus on quality assets in prime global gateway cities, ensuring it is well positioned to drive FY2016 earnings growth and deliver sustainable growth over the long term.

Operational highlights

- + Total assets under management increased to \$33.2 billion, reflecting development completions and strong revaluations resulting from cap rate compression and upward revaluation of urban renewal sites
- + Leased 2.3 million sqm across the Group and Partnerships year to date, representing \$239 million of annual rental income
- + Occupancy maintained at 96% across the Group and Partnerships, achieving a weighted average lease expiry of 5.1 years
- + Development work in progress of \$3.2 billion across 72 projects, with a forecast yield on cost of 8.1%, with a weighted average lease term of 10.3 years
- + Development completions of \$1 billion in the quarter
- + Improving quality of assets across the Group and Partnerships – asset rotation providing \$1.8 billion (excluding urban renewal) year to date for reinvestment in development pipeline
- + Disciplined approach to development activities, with 82% pre-committed and 77% of all development completions pre-sold and capital recycled into new projects
- + Urban renewal strategy progressing ahead of expectations - \$2.1 billion of sites conditionally contracted in Sydney, with \$425 million settled as at 31 March 2016
- + Year to date have refinanced A\$2.9 billion of debt facilities across the Group and managed Partnerships
- + Reaffirming upwardly revised forecast FY2016 full year operating earnings per security of 40.0 cents, up 7.5% on FY2015

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Goodman's Group Chief Executive Officer, Greg Goodman said: "The operating performance delivered across the Group in the third quarter of FY2016 reflects the strength of our diversified global platform and extensive customer relationships and investment partnerships around the world. The disciplined execution of our business strategy remains focused on improving asset and income quality through selective asset rotation and reinvestment into Goodman's development business. This is consistent with our through-the-cycle planning approach, to build a competitively and financially strong business for the long term."

Investments

Goodman experienced sound underlying property fundamentals across its operating regions, reflecting a high quality portfolio of 427 properties catering to the diverse needs of Goodman's blue chip customer base. Robust leasing activity has resulted in 2.3 million sqm of space leased in the financial year to date across the Group and Partnerships globally, equating to \$239 million of annual net property income, with positive reversions of 3.5% per annum on new leases. A feature of the leasing success achieved has been the level of pre-leasing activity on uncommitted developments in a number of Goodman's markets, including China, Japan and the United Kingdom, which has seen 82% of developments pre-committed on completion. This has ensured that overall occupancy remained stable at 96%, with a 76% retention rate highlighting the value of Goodman's quality service offering.

Total assets under management increased to over \$33 billion as at 31 March, predominantly driven by \$2.2 billion of development completions and increased valuations. The current low interest rate environment is driving the ongoing demand and stronger pricing of property assets and Goodman expects further revaluation gains in its second half financial results, with New Zealand's Goodman Property Trust's portfolio cap rate firming by 50 basis points to 7.0% as at 31 March 2016.

Goodman continued to take advantage of the market demand for industrial assets which has provided opportunities across its operating regions to selectively rotate assets. The Group and Partnerships have disposed of \$1.8 billion of property assets (excluding urban renewal sites) in the financial year to date, primarily in Australia, China and its European markets, with a further \$1 billion under due diligence or contracted for sale. This is providing capital for reinvestment into higher growth development opportunities sourced from Goodman's own development business, improving overall portfolio and income quality.

The Group's urban renewal strategy is progressing ahead of expectations, with \$2.1 billion of sites in Sydney conditionally contracted for sale as at 31 March 2016, reflecting the high demand for re-zoned residential sites. Significantly, Goodman has settled \$425 million of urban renewal transactions in the current financial year, with a further \$700 million of settlements expected by 31 December 2016. The Group's urban renewal pipeline has been maintained at 35,000 apartments and planning is being actively pursued across sites for long-term opportunities.

Developments

Goodman's development business continued to be a key driver of outperformance, with significant activity across all of its operating regions benefitting from the demand for prime, well-located logistics space. This has seen Goodman's development work book maintained at \$3.2 billion, reflecting the robust underlying domestic consumption in major global gateway cities; growth in ecommerce and other ongoing structural changes; and customer focus on realising greater operating efficiencies and returns from their property solutions. Goodman completed \$1 billion of developments in the third quarter, with total completions of \$2.2 billion for the financial year to date, providing certainty in relation to FY2016 development earnings. The \$0.9 billion of development commencements in the quarter provides increased visibility for FY2017.

Key highlights for the quarter included North America, which now contributes 12% of the Group's development work in progress, with \$400 million of new projects commencing to date in FY2016. This contribution will continue to increase with development activity growing in response to customer demand, which is driving its development and investment pipeline toward US\$3 billion

Continental Europe continued to perform strongly, with occupancy at a high 98%. Significant customer demand for new developments has seen its workbook maintained at 590,000 sqm and 90% pre-committed. In the United Kingdom, the develop to hold strategy being implemented is progressing well, with the first two developments totalling 58,000 sqm shortly reaching completion.

In China, Goodman's approach remains focused on selective, quality developments in targeted tier one cities, with strong ongoing demand for quality logistics space from ecommerce and third party logistics customers. In Japan, following the pre-leasing success of Stage 1 of Goodman Business Park, Chiba, the focus is on the further build out of the site, with the development of Stage 2 comprising 125,000 sqm.

Finally, with 100% ownership of the Brazil operating management platform secured in the quarter, Goodman will pursue its strategy of creating and growing a platform with capital partners, in line with its global model. This will focus on undertaking selective logistics developments in the key São Paulo and Rio de Janeiro markets, and targeted investment or value add opportunities.

Management

Goodman's investment management platform has increased to \$28.1 billion of external assets under management, reflecting the strong support of global investment partners, who are attracted to its specialist industrial offering and proven ability to drive strong ongoing total returns and deliver long-term value creation. Goodman's Partnerships completed \$1.5 billion of asset rotation initiatives (excluding urban renewal) in the financial year to date, capitalising on the strength of property capital markets and providing a primary source of capital for the develop to hold strategy being widely implemented across the Partnership platform. This focused approach is improving overall portfolio quality and maintainability of income, with investment partners gaining access to growth opportunities in prime locations that are not typically available on the open market.

Highlighting the support from its partners in the third quarter, the Group completed the Partnership extension for Goodman Australia Development Partnership for a further five years. Separately, the first close of Goodman Japan Core Partnership's equity raising was well supported by existing and new investors, with \$230 million raised to help fund the acquisition of new development opportunities from Goodman Japan Development Partnership.

Outlook

Goodman continues to focus on the consistent execution of its business strategy, with operating performance in the third quarter further underpinning the strong platform it has built for FY2016 and future periods. As a result, Goodman's ongoing focus is on improving asset and income quality across its portfolio, undertaking targeted asset rotation initiatives and reinvesting capital into its high quality development business. In turn, this will provide the Group and its Partnerships with future financial and operational flexibility, while maintaining a strong financial position. Goodman is well positioned for the remainder of FY2016 and accordingly, reaffirms its upwardly revised forecast full year FY2016 operating earnings per security of 40.0 cents, up 7.5% on FY2015 and a forecast distribution of 24.0 cents per security, up 8% on FY2015.

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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 and Goodman Industrial Trust, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist investment managers of industrial property and business space globally.

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

For more information: www.goodman.com

