30 April 2013

March Quarter Market Update

KEY HIGHLIGHTS

- Solid portfolio performance with high occupancy maintained
- Completed $300 million redevelopment of Highpoint Shopping Centre
- 161 Castlereagh St tower reached practical completion
- GWOF acquired a 50 per cent interest in 8 Exhibition Street, Melbourne for $160 million
- US$250 million raised from inaugural US Private Placement debt issue
- Distribution declared of 5.1 cents per security, up 10.9 per cent
- Change to half yearly distributions announced
- On track to achieve guidance of EPS growth of at least 5 per cent in 2013

The GPT Group (GPT) today announced its result for the quarter ended 31 March 2013. Chief Executive Officer and Managing Director Michael Cameron said it was a positive and busy start to 2013, with good leasing activity and significant developments completed.

“We’re simply getting on with the job of executing our strategy to optimise and grow the business. This focus has helped GPT deliver a solid performance for the March quarter,” Mr Cameron said

“Occupancy remains high across the portfolio, underpinning an uplift in values. The result comes despite subdued market conditions, which have prevailed due to ongoing weakness in consumer and business sentiment.

“Two significant development milestones were achieved, with the opening of the $300 million redevelopment of the Highpoint Shopping Centre in Melbourne and practical completion being reached on the 161 Castlereagh Street tower in Sydney. Our funds management platform continues to grow in quality and size. GPT now has $7.0 billion of funds under management.

“We have declared a distribution of 5.1 cents for the March quarter, up 10.9 per cent on the equivalent period in 2012. We have also announced the movement to half yearly distributions from 1 July 2013 which will deliver cost savings to GPT.”

FINANCIAL POSITION

GPT’s balance sheet remains in a strong position, with low gearing of 21.7 per cent and a long weighted average debt expiry of 6.3 years.

Chief Financial Officer, Mark Fookes said GPT issued HK$800 million (A$100 million) of 15 year bonds in January and then in March completed an inaugural US Private Placement of 12 and 15 year notes, raising US$250 million (A$243 million).

“A key feature of the quarter was the continued diversification of debt sources at very long tenor and attractive margins. This is a strong endorsement of the strength of GPT’s credit and the quality of our asset portfolio,” Mr Fookes said.

The GPT Group

OPERATIONAL PERFORMANCE

Portfolio results

	Portfolio Size	WALE	Occupancy	WACR
Retail	$4.87 bn	4.4 years	99.7%	6.07%
Office	$2.78 bn	5.5 years	95.7% [1]	6.83%
Logistics & Business Parks	$0.99 bn	5.6 years	98.5%	8.30%
Total	$8.64 bn	4.9 years	98.3%	6.53%

Head of Investment Management, Carmel Hourigan said the performance across the asset portfolios had been solid for the quarter.

“Occupancy remains high at 98.3 per cent and we have a long weighted average lease expiry at 4.9 years,” Ms Hourigan said.

“Retail sales growth remained modest with specialty sales growth of 1.3 per cent but positive leasing outcomes increased retail occupancy to 99.7 per cent. Despite weaker market conditions, nearly 23,000 square metres of office space was leased during the quarter and occupancy remained steady. The logistics and business parks portfolio occupancy also increased to 98.5 per cent.

“Good progress continues to be made on the portfolio re-weighting strategy with the disposal of two Homemaker centres completed and the acquisition of a business park asset at 3 Figtree Drive, Sydney Olympic Park in April.”

Development

The expansion of Highpoint Shopping Centre in Melbourne’s west opened on schedule on 14 March 2013, fully leased. The completed development represents a greatly improved centre for customers making Highpoint one of the largest shopping centres in Australia. Initial trading performance has been very positive with most retailers meeting or exceeding their budgets and customer traffic exceeding forecasts.

The tower at 161 Castlereagh Street reached practical completion in March with the surrounding plaza and retail precinct on track for completion in mid-2013.

Funds Management

GPT’s Wholesale Office Fund remains the best performing fund among its peers over one, three and five years. In line with the office fund’s strategy, it announced the acquisition of a 50 per cent interest in 8 Exhibition Street, Melbourne at the beginning of March, adding to its high quality portfolio. The GPT Wholesale Shopping Centre Fund has delivered a strong performance in 2013 following the write off of acquisition costs in 2012. The shopping centre fund will be relaunching a capital raising in the June quarter, with a focus on strategic value-add developments and reducing gearing.

A number of new product opportunities remain under development with an update to be provided on the progress of this work at the Interim Result announcement in August.

[1] Includes Heads of Agreement

OUTLOOK

Mr Cameron said GPT will continue to seek opportunities to further improve performance to generate strong earnings and increased value in 2013, as part of its optimise and grow strategy .

"GPT remains on target to achieve growth in earnings per security of at least 5 per cent for the full year and will maintain a distribution payout ratio of 80 per cent of ROI," Mr Cameron said.

– Ends –

GPT's March Quarter Result Presentation will be webcast via the Group's website (www.gpt.com.au) on Tuesday, 30 April 2013 at 10.00am (Sydney time).

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