10 February 2020

GPT delivers NPAT of $880 million and 4.0 per cent Distribution per security growth for 2019

2019 Highlights

- Net Profit After Tax (NPAT) of $880.0 million, a decrease of 39.4 per cent on the prior corresponding period (pcp) due to lower valuation gains
- Total Return of 8.7 per cent for the period
- Successfully completed an $867 million Placement and Security Purchase Plan to fund the Group’s development pipeline and the acquisition of a 25 per cent interest in Darling Park 1 & 2 and Cockle Bay Wharf, Sydney
- Funds From Operations (FFO) of $613.7 million increased 6.8 per cent, resulting in FFO per security growth of 2.6 per cent on pcp, adjusted for the effect of the capital raising
- Distribution per security of 26.48 cents, up 4.0 per cent on pcp
- Net valuation gain of $342.2 million, with Net Tangible Assets increasing to $5.80 per security, up 3.9 per cent on pcp
- Gearing of 22.1 per cent and a weighted average cost of debt of 3.6 per cent
- Secured a 33.4 hectare logistics development site at Kemps Creek, Sydney, for $100 million, and a 32.8 hectare logistics development site at Truganina, Melbourne, for $34 million, both on deferred settlement terms
- Maintained a leadership position in the real estate industry for delivering sustainable business outcomes, ranking 3rd globally in the Dow Jones Sustainability Index and continuing to be recognised as a GRESB Green Star company

The GPT Group (“GPT” or “Group”) delivered a Net Profit After Tax of $880.0 million for the 12 months to 31 December 2019. FFO was $613.7 million, up 6.8 per cent, resulting in FFO per security growth of 2.6 per cent on pcp.

GPT’s Chief Executive Officer, Bob Johnston, said the Group had a successful year, delivering FFO in line with guidance, executing on developments and further strengthening its balance sheet to fund future growth opportunities.

“The Group’s diversified portfolio of high quality assets continues to deliver growth for investors. Like for like income growth across the portfolio of 3.5 per cent was underpinned by high occupancy, fixed rental growth and strong leasing outcomes achieved in the Office and Logistics portfolio. The Group successfully completed an $867 million capital raising in June to fund the acquisition of a 25 per cent interest in Darling Park 1 & 2 and Cockle Bay Wharf, Sydney, and to support the next phase of growth for the Group.”

“We are making very good progress on our strategy to grow the Logistics portfolio. The addition of three new development sites in our core markets of Sydney and Melbourne, combined with projects currently underway, provides the Group with the opportunity to deliver more than 550,000 square metres of new prime logistics facilities with an estimated end value on completion in excess of $1 billion,” said Mr Johnston.

The Group has provided guidance of 3.5 per cent growth for FFO and Distribution per security for FY20.

Office

Office occupancy was 98.3 per cent as at 31 December 2019, with 147,600 square metres of leases signed in the period and terms agreed for an additional 29,400 square metres.

The strong leasing results achieved by the Group, combined with increased portfolio occupancy and structured rent increases, has delivered like for like income growth of 6.2 per cent for the 12 months to 31 December and increased the weighted average lease expiry to 5.3 years. The Weighted Average Capitalisation Rate (WACR) of the portfolio at 31 December 2019 was 4.85 per cent.

The portfolio recorded a net valuation gain of $271.2 million, an increase of 4.6 per cent for the period. Melbourne Central Tower recorded the largest valuation uplift, as a result of the re-leasing achieved during the year. Targeted upgrades to enhance customer experience and drive asset performance have supported the strong leasing outcomes, and the asset has delivered a total return of 15.2 per cent over the past 12 months.

The MLC Centre was divested for $800 million during the period, which resulted in a return of 20 per cent per annum being achieved from the asset over the past three years. Following this sale, the Group secured a 25 per cent share of Darling Park 1 & 2 for $531 million. The complex comprises two premium grade office towers and an entertainment precinct, Cockle Bay Wharf. At 31 December 2019, the office towers were 98.1 per cent occupied with a WALE of 6.3 years, and the acquisition takes the Group’s interest in the assets to 75 per cent when combined with the GPT Wholesale Office Fund’s existing stake. Cockle Bay Wharf will be the site for a landmark 73,000 square metre office development, Cockle Bay Park. A Stage 1 Development Application approval has been achieved and the International Design Competition is nearing completion.

The Group’s development at 32 Smith Street in Parramatta remains on track for completion at the end of 2020 and is targeting a 6 star Green Star environmental rating. The office tower is now 64 per cent pre-leased, with QBE anchoring the development and leasing enquiry for the balance of the space remains strong.

The Group’s leadership position in sustainability was reinforced in December with two assets, workplace6 in Sydney and 8 Exhibition Street, Melbourne, becoming the first buildings to achieve carbon neutral certification by NABERS and Climate Active. Both assets are in the GPT Wholesale Office Fund (GWOF) portfolio which is on track to achieve carbon neutral certification during the course of 2020.

Logistics

The Logistics portfolio delivered like-for-like income growth of 3.3 per cent for the 12 months to 31 December.

The portfolio recorded a $117.1 million valuation increase, up 6.2 per cent, with the WACR firming 38 basis points to 5.4 per cent.

A total of 231,600 square metres of leases were signed during the period, with a further 27,500 square metres of terms agreed. Occupancy is 95.7 per cent, including terms agreed, and the portfolio WALE is 7.3 years.

The Group has made good progress on its strategy to grow its Logistics portfolio, with a combination of acquisitions, development completions and valuation growth taking the value of the portfolio to $2.4 billion as at 31 December 2019. During the period the Group acquired five fully leased investment assets in Sydney for $212 million, two of which adjoin the Group’s existing holdings in the prime Erskine Park precinct. Two new developments with a combined value of $105 million were completed in 2019, and a further four projects are currently underway and due for completion in 2020, with an expected end value of $167 million. In total, these projects represent 146,400sqm of new logistics space and are fully leased or have terms agreed.

The Group also replenished its land holdings with the acquisition of sites located within key growth corridors in Sydney and Melbourne. In Sydney, 33 hectares of land in Kemps Creek was acquired on deferred settlement terms and is located near the established Erskine Park industrial market and in close proximity to the new Western Sydney airport. The site is expected to deliver 162,000sqm of prime logistics assets. In Melbourne, 33 hectares of land was acquired at Boundary Road in Truganina, on deferred settlement terms. Development of this site will commence following the build-out of the Group's existing estate at Truganina, The Gateway Logistics Hub.

The Group's total logistics development pipeline has capacity to deliver over 550,000sqm of prime facilities with an expected end value on completion of over $1 billion.

Retail

The Retail portfolio continues to deliver a high level of sales productivity, with Total Specialty Sales up 1.9 per cent on pcp to $11,667 per square metre, reflecting the quality of our assets and our focus on ensuring our retail offer responds to the changing demands of our customers.

Like-for-like income growth was 1.2 per cent reflecting the softer retail environment which has led to reduced turnover rent and the general market trend where leasing deals are taking longer to conclude.

The valuation for the Retail portfolio recorded a decline of $46.1 million during the period, representing less than 1 per cent of portfolio value, and the WACR for the portfolio was 4.89 per cent as at 31 December.

The portfolio occupancy as at 31 December was 99.6 per cent. The portfolio continues to attract strong tenant demand, with over 70 new retailers introduced to our assets during the year.

The Group continues to invest in its assets, introducing on-trend retailers that offer compelling experiences for customers. In March, the Sunshine Plaza development was completed, introducing 40 'first to market' brands and a number of international mini-majors, reinforcing the asset's position as the dominant shopping centre on Queensland's Sunshine Coast. The Group also opened new dining precincts at Charlestown Square and Melbourne Central in the final quarter of 2019. At Charlestown Square, "the Corner" opened in December, successfully creating a vibrant dining precinct attracting a number of retailers from the Hunter region. Similarly, at Melbourne Central, an existing food precinct adjacent to the office tower was transformed by combining 13 well known Melbourne eateries into a collective space modelled on Melbourne's iconic laneways.

The Group has progressed the development proposals for both Melbourne Central and Rouse Hill Town Centre, and subject to receiving the required approvals, is targeting to commence both projects mid-2020.

Funds Management

The Funds Management division delivered 8.7 per cent growth in FFO on pcp, with 5.6 per cent growth in assets under management to $13.3 billion. The growth in assets under management was driven by acquisitions and valuation growth in the GPT Wholesale Office Fund (GWOF).

During the period, GWOF acquired the remaining 50 per cent interest in 2 Southbank Boulevard, Melbourne, for $326 million. The acquisition, combined with valuation growth across the portfolio, has resulted in a portfolio value as at 31 December of $8.8 billion.

GWOF raised $260 million of new equity over the year from a mix of existing and new investors.

The GPT Wholesale Shopping Centre Fund (GWSCF) divested Norton Plaza in October for $153 million, representing a small premium to book value. As at 31 December, the GWSCF portfolio was valued at $4.5 billion.

Outlook

The Group remains well placed to deliver FFO and distribution growth in 2020. The Group's Office and Logistics portfolios have high occupancy and continue to benefit from strong tenant demand. Recent logistics acquisitions and development completions will also provide growth for 2020. While the retail sector is experiencing headwinds, with consumer confidence impacted by a number of factors including low wages growth, the Group's high quality portfolio is expected to maintain high occupancy and benefit from strong customer traffic.

Low interest rates and ongoing investment demand are expected to continue to support asset valuations.

GPT provides the following guidance for FY20 of:

- FFO per security growth of 3.5 per cent; and
- Distribution per security growth of 3.5 per cent.

Market Briefing

GPT will conduct a market briefing at 10.00am (AEST) today, 10 February, which can be accessed via teleconference, or webcast via the GPT website (www.gpt.com.au).

Teleconference details

Conference ID: 10002908
Australia dial in: 1800 739 591
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Authorised for release by the GPT Group Board.