ASX ANNOUNCEMENT
GROWTHPOINT PROPERTIES AUSTRALIA (ASX Code: GOZ)

18 February 2013

Results for the half-year ended 31 December 2012

Continuation of portfolio growth, distribution growth and diversification

The Directors of Growthpoint Properties Australia Limited today announce the results for Growthpoint Properties Australia (**"Growthpoint"**) for the half-year ended 31 December 2012 (**"the Half Year"**).

Timothy Collyer, Managing Director, commented:

> "I am very pleased to confirm that Growthpoint has again met distribution guidance and will be distributing 9 cents per stapled security on 28 February, a 3.4% increase on the previous corresponding period, whilst also increasing the value of the portfolio to approximately $1.7 billion through acquisitions totalling approximately $161.5 million announced in the Half Year, at attractive income yields.
>
> These achievements are the direct result of Growthpoint's strategy of seeking to increase both its asset base and the distributions payable to securityholders.
>
> We have also diversified the portfolio and the income stream by:
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> 1. continuing to diversify the portfolio by location and tenant;
> 2. upgrading the portfolio by selling an asset in rural New South Wales to fund the acquisition of three properties in a prime industrial location of Western Sydney; and
> 3. reducing balance sheet gearing from 49.5% at the end of August 2012[1] to 46.9%[2]".

Highlights for the Half Year

- Statutory profit of $34.0 million (including fair value movements in investment properties and financial derivatives) up 26.4% from the previous corresponding period.
- Distributable profit of $36.8 million (9.4 cents per GOZ stapled security) up 47.6% from the previous corresponding period. Distributions payable are $35.1 million, providing for a payout ratio of 95.4%.
- Consistent with market guidance, a distribution of 9.0 cents is payable per GOZ stapled security for the six months ended 31 December 2012; a rise of 3.4% from the previous corresponding period.
- A total return of 24.1% for the year ended 31 December 2012 (distributions plus ASX security price appreciation)[3].
- Property assets increased to approximately $1.7 billion after the following property acquisitions:
  1. Two interconnected modern "A grade" eight storey office buildings with a combined net lettable area of approximately 15,398 square metres plus 158 car parks on land of 3,064 square metres located at 10-12 Mort Street, Canberra in the Australian Capital Territory for $55.8 million (before acquisition costs). The buildings are fully-let to the Commonwealth of Australia (Department of Education, Employment and Workplace Relations) on a five year lease expiring 24 March 2017, with one five year option of renewal and provide an initial property income yield of 10.28% (before acquisition costs). The lease has fixed annual rent increase of 3.75% per annum. This was Growthpoint's first acquisition in the Canberra office market and further diversifies Growthpoint's portfolio into the office sector. Settlement of the acquisition occurred in August 2012 and was funded by the Distribution Reinvestment Plan ("DRP") relating to the June 2012 distribution and debt.
  2. A prime industrial property portfolio comprising three adjoining properties in Erskine Park, New South Wales for a total cost of $104.7 million (before acquisition costs) comprising a 29,055 square metres pharmaceutical warehouse to be constructed, an existing 24,881 square metres

[1] Following a drawdown to pay for the balance of the acquisition costs of 10-12 Mort Street, Canberra, Australian Capital Territory.
[2] Following the sale of 134 Lillkar Road, Goulburn, New South Wales but before the acquisition of the Erskine park property portfolio which is expected to complete late February 2013.
[3] Source: UBS Investment Research

warehouse and an existing 3,720 square metres truck facility. All three properties are leased to entities associated with the Linfox group of companies, one of Australia's largest logistics providers, for a weighted average lease term of 10 years providing an initial average yield of 8.07% (before acquisition costs). All leases have annual CPI rent reviews. Until completion of the pharmaceutical warehouse, Growthpoint earns an 8.5% coupon on moneys outlaid. Settlement is expected to occur in late February 2013 with funding coming from the sale of 134 Lillkar Road, Goulburn, New South Wales, an advance application of the proceeds from the DRP relating to the 31 December 2012 distribution and existing headroom in the syndicated debt facility.

3. Completion of the acquisition of a carpark adjoining Growthpoint's properties at 572-576 Swan Street, Richmond, Victoria for $1 million.

Growthpoint continues to seek merger and acquisition opportunities to grow and enhance the property portfolio as a means to growing and securing distributions to securityholders.

- Growthpoint's new properties, acquired via "development fund-throughs", at 1231-1241 Sandgate Road, Nundah, Queensland and 219-247 Pacific Highway, Artarmon, New South Wales reached practical completion in November 2012 and December 2012, respectively. Both buildings are 100% let[4], and the major tenants are State Government of Queensland and Fox Sports for the Nundah and Artarmon properties, respectively. Growthpoint will continue to seek development fund-through opportunities to facilitate the acquisition of new buildings typically with long lease terms, high green credentials and lower acquisition costs.
- Leases with Bridgestone Australia and Australian Paper were renewed or extended (refer to "Leasing success" below for more details).
- Growthpoint's syndicated debt facility with Westpac, NAB and ANZ was increased by $60 million to $825 million to fund the Canberra acquisition referred to above. The increased facility amount was added to the tranche maturing on 31 December 2016.
- Growthpoint's DRP has raised approximately $48.9 million with participating securityholders having reinvested their June 2012 and December 2012 half year distributions into GOZ stapled securities. In both cases, the funds from the DRP have been used to partially fund property acquisitions.

Distributions

Growthpoint's distributions for the Half Year are 9.0 cents per stapled security; a 3.4% rise on the distribution paid per stapled security for the 6 months ended 31 December 2011. These distributions will be paid on 28 February 2013 and are forecast to be 73% tax deferred and 7% tax free.

Property valuations

As at 31 December 2012, Growthpoint held, or had contracted to purchase, a total of 44 properties with a combined value of $1.674 billion (at completion of a development under construction) comprising:

- 41 properties owned with a value of $1.569 billion; and
- 3 properties contracted to purchase with a value of $105 million.

A reconciliation with the reported accounts appears below:

	$ million
Trade and other receivables (non-current) being straight lined rental income	48
Investment properties	1,580
Sub-total	1,628
Other receivables (non-current)[5]	1
Value of properties as at 31 December 2012	1,629
Remaining payments on fund through properties[6]	45
Pro forma property portfolio valuation[7]	1,674

Of the 44 properties owned, 26 properties were independently valued as at 31 December 2012 resulting in a net $12.0 million valuation increase across the portfolio; a 0.8% increase. After adjusting for recent

[4] Includes rent guarantees from each developer.
[5] Payments made to acquire investment properties which had not completed by 31 December 2012
[6] 27-49 Lenore Drive, Erskine Park
[7] Includes 27-49 Lenore Drive, Erskine Park at its independent valuations on completion

acquisition costs of $12.0 million (primarily stamp duty), there was no net impact on NTA with the value of the property portfolio remaining at $1,569 million.

The weighted average capitalisation rate for the Group by sector was:

	31 December 2012			30 June 2012		
	Properties	**Value**	**Capitalisation rate**	**Properties**	**Value**	**Capitalisation rate**
Office	15	$795 million	8.4%	15	$799 million	8.4%
Industrial	29	$875 million	8.3%	27	$834 million	8.3%
Total	44	$1.67 billion	8.4%	42	$1.63 billion	8.3%

Net tangible assets (“NTA”)

Growthpoint’s NTA per stapled security is $1.93 as at 31 December 2012, the same as reported as at 30 June 2012. NTA per stapled security included gains from Growthpoint’s raising capital via the DRP at a price in excess of the NTA per stapled security with minimal equity raising costs, retained earnings increasing due to a reduction in the distributable income payout ratio to 95.4% and the profit on sale of the Goulburn property. However, small revaluation losses on investment properties and the reduction in the fair value of interest rate swaps offset these gains.

ASX performance

For the year ended 31 December 2012, Growthpoint’s total return was 24.1% (distributions plus security price appreciation)[8].

Over the three year period ending 31 December 2012, Growthpoint has outperformed the S&P/ASX A-REIT 300 Accumulation Index by 11.3% compounded annually (20.4% for Growthpoint versus 9.1% for the S&P/ASX A-REIT 300 Accumulation Index)[9].

Property portfolio update

Growthpoint maintains a modern portfolio of investment properties leased to quality tenants, with the intention of holding these assets long term for rental income. Key achievements/activities for the Half Year were:

- **Leasing success:**
    1. Bridgestone Australia, which leases 14,021 square meters at 365 Fitzgerald Road, Derrimut, Victoria exercised an option to expand the premises by 2,094 square meters at a cost of approximately $1.2 million and extend the term for seven years from the date of practical completion of the works (expected in March 2013).
    2. Australian Paper, which leases 26,980 square meters at 44-54 Raglan Street, Preston, Victoria, exercised an option for a further lease term of six years to 31 August 2019. The current rent approximates $1.72 million per annum. In accordance with the provisions of the lease, the commencing rent for the new term will be agreed between the parties prior to 2 August 2013 or, failing such agreement, by an independent valuer.
- **98% portfolio occupancy:** The property portfolio enjoyed 98% occupancy during the Half Year. By sector, the occupancy rates were 97.1% for office and 99.6% for industrial.
- **Disposals:** Growthpoint agreed terms for the sale of its property at 134 Lillkar Road, Goulburn, New South Wales for $72.25 million, above the 30 June 2012 book value of $71.0 million. This sale completed on 31 January 2013 with the proceeds being used to fund three industrial properties in Erskine Park, New South Wales as noted above. Properties will be disposed of where they no longer meet Growthpoint’s investment criteria.
- **Arrears:** Growthpoint has no significant arrears.
- **Capital Expenditure:** Approximately $1.5 million was spent on capital expenditure at properties comprising:
    - $0.8 million for the expansion of the Derrimut property, and
    - $0.7 million for maintenance capital expenditure.

8 Source: UBS Investment Research
9 Source: UBS Investment Research

GROWTHPOINT PROPERTIES

Debt and interest rate hedging

In July 2012, Growthpoint extended a $100 million vanilla interest rate swap which matured in September 2013 and had a fixed rate of 4.995% per annum to mature in September 2016 with a fixed rate of 3.80% per annum. As a result, the weighted averaged fixed rate on hedged debt at that time reduced to 4.61% per annum (before margin) from 4.79% per annum and the weighted average duration of hedged debt at that time increased to 4.4 years from 3.9 years.

To partially fund the Canberra acquisition referred to above, Growthpoint increased its syndicated debt facility with Westpac, NAB and ANZ by $60 million to $825 million. $255 million of the facility matures on each of 31 December 2014 and 31 December 2015 with the remaining $315 million maturing on 31 December 2016.

Growthpoint also has a $70 million bilateral debt facility with NAB which matures on 30 April 2016, secured by Fox Sports, Gore Hill and the Group's property in Keswick, South Australia.

As at 31 December 2012, the weighted averaged fixed rate on hedged debt was 4.61% per annum (before margin) with the weighted average duration of 3.8 years.

The weighted average cost of debt for the facilities approximates 6.95% per annum with a weighted average maturity of approximately 3.1 years. At 31 December 2012, interest rate hedges representing approximately 91% of debt have an average duration of approximately 3.8 years.

Outlook

At the start of 2013, there are factors that should assist economic growth of the domestic economy including low interest rates, improved economic growth in China and the USA, a rebound in commodity price and significant resource and mining project investment. Poor business and consumer sentiment and conditions for trade exposed industries with a high Australian dollar, has seen economic growth slow over 2012 and growth for the current financial year is expected to be slightly below trend growth of approximately 3%[10] but still well above the expected average growth rate for developed economies[11].

Investment in A-REIT's is now being viewed favourably by institutional and retail investors who are seeking an attractive income yield in a low interest rate and low inflationary environment. Mooted merger and acquisition activity in the A-REIT sector could assist prices.

The direct property market is liquid, with strong demand for investment. Buyers include offshore investors, superannuation funds, syndicators, wholesale funds and A-REIT's – certainly the market is becoming more competitive. We see:

Office: A slowdown in net absorption (effective demand) across the office markets has meant vacancy rates in twelve out of nineteen CBD and suburban markets across Australia have risen in Q4, 2012[12]. The national vacancy rate stands at 8.9% in all markets, up from 8.4% in Q3, 2012[13]. Tenants have been delaying leasing decisions and job-shedding in some sectors has meant there is a considerable amount of sub-lease space available in some markets. The outlook for rents is benign with rising face rents likely to be offset by heightened leasing incentives provided to tenants. Capitalisation rate compression is likely over the next twelve months with increased demand for investment and a lowering of the gap between the property yield and long term bond rate.

Industrial: prime rents have increased approximately 3% across the country in the last 12 months, although growth rates vary from market to market, however, secondary property rents have increased at a lesser rate from 0% to 2%[14]. Yields have fallen 0.25% to 0.50% for prime industrial properties to be within the range of 7.5% to 8.00%, with secondary properties yielding 9.00% plus[15]. We see moderate rent growth ahead, however, yields are anticipated to fall as the demand for industrial property strengthens given the limited supply of prime stock coming to the market.

Key considerations for Growthpoint in the short to medium term are:

- **Growth of portfolio –** Further expansion of the property portfolio through acquisition, should appropriate opportunities be presented. Conditions are appropriate, with Growthpoint's cost of capital having been lowered (due to a higher security price and low domestic interest rates), for continued investment in Australia commercial property markets. Growthpoint views property yields in Australia as being attractive versus borrowing rates and the 10-year Commonwealth Government bond rate

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10 Source: Reserve Bank of Australia, 5 February 2013 http://www.rba.gov.au/media-releases/2013/mr-13-01.html
11 Source: Reserve Bank of Australia, January 2013 http://www.rba.gov.au/chart-pack/pdf/chart-pack.pdf
12 Source: Jones Lang LaSalle, Real Estate Investment Service.
13 Source: Jones Lang LaSalle, Real Estate Investment Service.
14 Source: Jones Lang LaSalle, Real Estate Investment Service.
15 Source: Jones Lang LaSalle, Real Estate Investment Service.

- **Acquisition of pre-committed development projects –** Growthpoint has successfully purchased two office buildings valued at approximately $167.4 million, by funding them through the development phase. It will review further opportunities to purchase assets to be developed from experienced developers, with pre-commitments to quality tenants and long term leases in place
- **Lower gearing and diversify debt funding –** Growthpoint intends to lower gearing to between 40-45% in the short to medium term. Lower gearing will assist it in moving towards obtaining a portion of its debt from capital markets
- **Leasing –** whilst Growthpoint enjoys a long WALE of 7.0 years, negligible vacancies (2% vacancy) and limited lease expiry risk in the short term, our asset management team are working on leasing of vacant space and lease renewals that are coming up in FY13 and FY 14.
- **Growing and sustainable distributions to securityholders –** a key priority is to ensure that the distribution being paid to securityholders is both sustainable and growing over time.

Growthpoint has a robust and simple business model that is readily understood by market participants. Growthpoint will continue its investment strategy of being a landlord of quality commercial real estate supported by four pillars:

- **100% investment in Australia:** All of Growthpoint's investment properties are located in Australia where our Australian management team understands the key markets. We have increased the diversification of the portfolio to cover every State in Australia and the Australian Capital Territory.
- **No funds management:** Growthpoint's revenue is derived from rental income from long-term leases. Growthpoint does not have a funds management business, nor does it intend to become a fund manager. Growthpoint intends only to manage a portfolio of properties that securityholders own, and accordingly its income is, and will continue to be, derived solely from rental income rather than funds/asset management fees.
- **Not a Developer:** Growthpoint does not operate a property development business and does not intend to take on any significant development risk. It has, and will likely continue to purchase properties to be developed, fund construction of developments or enter a joint venture where it becomes the ultimate owner of the property (or an interest in the property) on completion of the development but only where material pre-commitment leases are in place. Growthpoint will not undertake developments that are not materially pre-leased or develop properties for the purpose of selling to third parties.
- **Internalised management:** Growthpoint has internalised management via a stapled entity structure. Securityholders own both the property trust and the manager/responsible entity. There are no fees payable to external managers for operating the business and no conflicts of interest between securityholders and the manager/responsible entity.

Distribution guidance

Directors reaffirm distribution guidance for GOZ stapled security holders for the half year ending 30 June 2013 of 9.3 cents per stapled security providing a total distribution for FY 2013 of 18.3 cents per stapled security which is expected to be 73% tax deferred and 7% tax free.

Ends

www.growthpoint.com.au

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Growthpoint Properties Australia

Growthpoint Properties Australia is an ASX listed A-REIT (ASX Code: GOZ), that specialises in the ownership and management of quality investment property. Following completion of the acquisitions and disposal announced on 24 December 2012, Growthpoint will own a diversified portfolio of 43 office and industrial investment properties throughout Australia valued at approximately $1.7 billion (following completion of a pharmaceutical warehouse in Erskine Park, New South Wales). Growthpoint has an investment mandate to invest in office, industrial and retail property sectors. Growthpoint aims to grow its portfolio over time and to continue to diversify its property investment by asset class, geography and tenant exposure through individual property acquisitions, portfolio transactions and corporate activity (M&A transactions) as opportunities arise.

Important note

This announcement contains certain “forward-looking statements”. The words “anticipate”, “believe”, “expect”, “project”, “predict”, ”forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, opinions and estimates are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Growthpoint that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements and neither Growthpoint, nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains such statements that are subject to risk factors associated with the industries in which Growthpoint operates.