

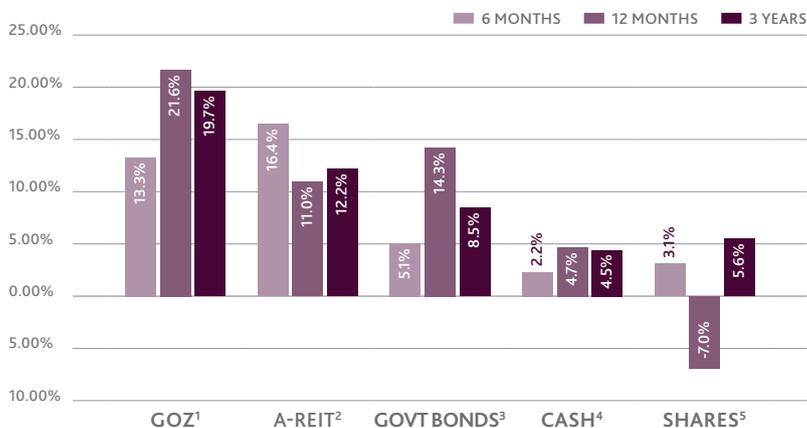
# GROWTHPOINT PROPERTIES

GROWTHPOINT PROPERTIES AUSTRALIA (ASX CODE: GOZ)

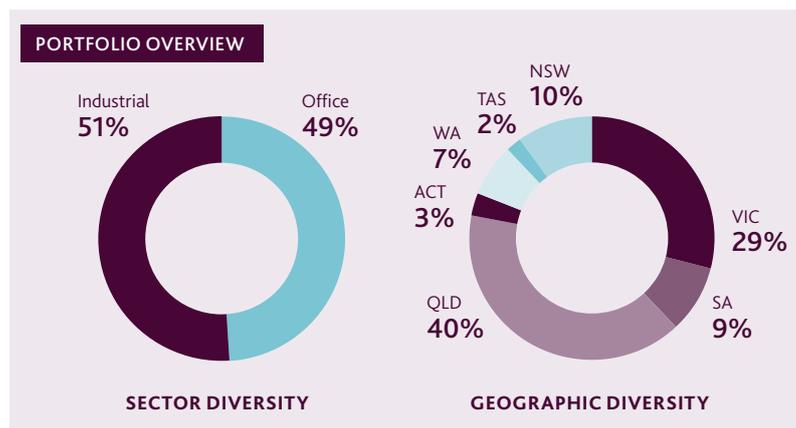
## Highlights for the year ended 30 June 2012

- 21.6% total return (distributions plus security price appreciation), outperforming the S&P/ASX 300 Property Accumulation Index which returned 11.0%<sup>1</sup>.
- 14.0% increase in statutory after-tax profit to \$49.5 million (including fair value movements in investment properties and financial derivatives); up from \$43.4 million for FY 2011.
- 58.5% increase in distributable profit to \$57.7 million; up from \$36.4 million for FY 2011.
- 2.9% increase in the full year "GOZ" distribution to 17.6 cents per stapled security<sup>2</sup>; up from 17.1 cents in FY 2011<sup>3</sup> and 0.1 cent higher than guidance provided in the Rights Offer Booklet dated 20 December 2011. The distribution was 84% tax deferred with the remaining 16% being a concession capital gain (which is tax free).
- 78.7% increase in market capitalisation to \$797 million on 30 June 2012, up from \$446 million on 30 June 2011.
- 33.3% increase in property portfolio value to \$1.6 billion<sup>4</sup> at 30 June 2012; up from \$1.2 billion as at 30 June 2011. The increase is the result of acquisitions totalling \$346.2 million and a \$30.1 million increase in aggregate property valuations.
- 6.8% reduction in management expense ratio (all costs associated with running the business except interest costs) to 0.41% of gross assets; down from 0.44% for FY 2011.
- Retention of high occupancy rate (99%), long weighted average lease expiry (7.2 years) and no significant rental arrears<sup>5</sup>.
- New Distribution Reinvestment Plan ("DRP") launched giving securityholders a way to increase their securityholding in the Group by reinvesting all or part of their distribution entitlements in additional stapled securities at a discount, currently 3%, to the recent trading price. For the August 2012 distribution, the DRP price was \$2.02 per stapled security, offering an attractive yield of 9.06% on current year distribution guidance (refer below) and raising approximately \$21.6 million in new equity. Subject to market conditions and requirements for equity, Growthpoint Properties Australia intends to operate the DRP for future distributions.

## TOTAL RETURN COMPARISON TO 30 JUNE 2012<sup>1</sup>



1. Source: UBS Investment Research. 2. S&P/ASX 300 Prop. Acc. Index. 3. UBS Govt. Bond Index – AW Maturities. 4. UBS Bank Bill Index. 5. S&P/ASX300 Acc. Index.



## FY 2013 distribution guidance

Estimated distributable profit for the year ending 30 June 2013 is between 19.4 and 19.8 cents per stapled security, of which, the Group intends to distribute 18.3 cents per stapled security to securityholders; a 4% increase on FY 2012<sup>7</sup>.

Based on the forecast distribution above, Growthpoint Properties Australia's payout ratio will reduce to 92-94% from 99% for FY 2012. Directors have decided to reduce the payout ratio due to the changed nature of the property portfolio, particularly an increased office weighting<sup>8</sup>. Office properties generally require more capital expenditure and have greater tenant turnover, leading to increased cash requirements to fund costs associated with lease renewals, when compared to industrial properties. Retained distributable income will be used to fund this expenditure. Payout ratios for future periods will take account of the portfolio metrics at the time and have regard to prevailing financial conditions. The Group's policy remains to distribute as much distributable income to securityholders as is prudent each year.

1. Source: UBS Investment Research. 2. Holders of "GOZN" and "GOZNA" stapled securities received pro-rated distributions. 3. Holders of "GOZN" and "GOZNA" stapled securities received pro-rated distributions. 4. This value includes the properties currently under development in Nundah, Queensland and Artarmon, New South Wales and two properties contracted to purchase but not acquired at 30 June 2012. 5. Excluding transaction costs. 6. All figures are as at 30 June 2012. 7. Readers of this document should refer to, among other things, the "Important notice and disclaimer" included at the end of the Group's ASX announcement dated 20 August 2012 for important qualifications, assumptions and limitations of this guidance. 8. 49% at 30 June 2012 versus 35% at 30 June 2011. 9. Volume weighted average price for September 2012. 10. Source: UBS Research.

## A-REITs outperform, with an attractive income yield

**Outperformance** - For the 12 months to 30 September 2012, the total return (distributions plus security price appreciation) for ASX listed Australian Real Estate Investment Trusts (A-REITs) was 28.9%<sup>1</sup> versus 14.5% for the broader Australian share market<sup>2</sup>.

A-REITs have performed well with investors appearing to note the following current characteristics of this investment class (among other things):

- › **Security of income** – A-REITs derive a large amount of their income from lease rent leading to A-REIT income being relatively predictable.
- › **Falling interest rates** – lower bond yields and lower interest rates are generally positive for A-REITs as property valuations increase and borrowing costs decrease.
- › **Offshore demand** – there has been increased offshore demand for Australian real estate and investment in A-REITs.
- › **Growth in earnings and distributions** – A-REIT earnings and distributions are expected to increase in the current financial year compared to many other ASX listed companies which are exposed to offshore trade, commodities or cautious consumers and, as a result, have issued recent profit downgrades<sup>3</sup>.
- › **Stable commercial property market** – the office, industrial and retail property markets appear to be well balanced between supply and demand with investment demand for prime, well leased real estate.
- › **Attractive income yield** - The A-REIT sector offers an attractive distribution yield for FY 2013 of approximately 6.0%<sup>4</sup>. When compared to cash, fixed interest and other share market investments the yield is attractive. Further, it is anticipated that the Reserve Bank of Australia will cut the official cash rate further during FY 2013, with the futures market now pricing in interest rates of below 2.5% by mid 2013<sup>5</sup>.

*Based upon a forecast FY 2013 distribution of 18.3 cents per stapled security, Growthpoint Properties Australia offers a high distribution (income) yield as follows:*

<b>ASX PRICE</b>	\$2.40	\$2.30	\$2.20	\$2.10	\$2.00
<b>FY 2013 DISTRIBUTION YIELD</b>	7.6%	8.0%	8.3%	8.7%	9.2%

1. As measured by the S&P/ASX 300 Property Accumulation Index (Source: UBS Investment Research). 2. As measured by the S&P/ASX 300 Accumulation Index (Source: UBS Investment Research). 3. Source: UBS Investment Research, company filings. 4. As measured by the S&P/ASX 300 Property Accumulation Index (Source: UBS Investment Research). 5. Source: Australian Securities Exchange.

**Note:** The information contained in this Investor Update provides factual information only and under no circumstances does it constitute personal financial advice. None of the authors or issuers of this Investment Update are licensed to provide financial product advice. Users of this information should obtain, and rely on, advice sourced from their own independent financial, tax, legal and other advisers and obtain a product disclosure statement (if relevant) before making any investment decision including, but not limited to, holding, acquiring or disposing of any security.



10-12 Mort Street, Canberra, ACT

## Acquisition of A-Grade Canberra office buildings, 100% leased to Commonwealth Government.

In June 2012, Growthpoint Properties Australia announced that it had exchanged contracts to acquire two interconnected office buildings located at 10-12 Mort Street, Canberra in the Australian Capital Territory for \$55.8 million (before acquisition costs) from the GPT Wholesale Office Fund. Completion of the acquisition occurred on 27 August 2012.

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. The acquisition provides an attractive initial yield of 10.3% per annum.

## Properties under development

Development of the Group's two new office buildings are proceeding well.

<b>LOCATION:</b>	ARTARMON, SYDNEY, NSW	NUNDAH, BRISBANE, QLD
<b>MAJOR TENANT(S):</b>	Fox Sports	Energex and Powerlink
<b>LETTABLE AREA:</b>	14,116 m <sup>2</sup>	12,910 m <sup>2</sup>
<b>VALUE ON COMPLETION:</b>	\$82.7 million	\$82.5 million
<b>EXPECTED YIELD ON COST:</b>	8.10%	8.25%
<b>DEVELOPER:</b>	Lindsay Bennelong Developments	Property Solutions Group
<b>BUILDER:</b>	FDC Construction & Fitout	Hutchinson Builders
<b>FORECAST COMPLETION:</b>	Q4, 2012	Q4, 2012

By funding through these developments to completion the Group has been able to purchase well located, new A- grade office buildings with outstanding green credentials, pre-committed to quality tenants with long leases.

## Registry – Computershare Investor Service

For all enquiries and correspondence regarding your Growthpoint Properties Australia securities, please contact the share registry, Computershare on 1300 850 505 or visit [www.computershare.com.au](http://www.computershare.com.au).