1Q22 investor update.

Growthpoint Properties Australia (ASX: GOZ)

27 October 2021

1Q22 highlights

- High portfolio occupancy and long weighted average lease expiry (WALE) maintained at 97% and 6.2 years, respectively
- Further leasing success at Botanicca 3, the Group's new A-grade office building in Richmond, Victoria, which is now 93% occupied (30 June 2021: 78%)
- Deployed $103 million of undrawn debt to fund accretive acquisitions[1] and continued to review opportunities to enter into funds management
- Maintains FY22 funds from operations (FFO) guidance of at least 26.3 cents per security (cps) and distribution guidance of 20.6 cps

Timothy Collyer, Managing Director of Growthpoint, said, "The Group has had a strong start to the financial year. We continued to see sustained tenant demand for our high-quality metropolitan office portfolio, as highlighted by our leasing success in Brisbane, Sydney and Melbourne, during the quarter. We are particularly pleased that Bunnings has leased an additional floor at Botanicca 3. Despite the challenges presented by COVID-19 lockdowns, this building is now 93% occupied, reinforcing our view that it is one of the highest-quality metropolitan offices in Australia.

"During the quarter, we utilised $103 million of debt to fund accretive acquisitions. This included increasing our exposure to industrial assets, through the acquisition of new securities in Dexus Industria REIT (ADI), which is expected to provide an attractive 5.0% distribution yield on the issue price. We also reached settlement on a modern, fully-leased A-grade office asset located in a prominent position in Sydney Olympic Park, New South Wales.

"Over the past two years, we have seen unprecedented international and domestic investor appetite for industrial assets, which has led to a significant rerating across the sector. This trend continued during the quarter, with evidence of further capital rate compression. We have also seen demand accelerate for high-quality metropolitan offices assets, as investors take a 'through-the-cycle' view, and yields have tightened for well-leased, modern assets in this sector.

"At Growthpoint, we are committed to operating in a sustainable way and continually refining our operations. We are pleased that GRESB recognised us as a Sector Leader in their 2021 Sustainability Benchmark, which was released during the quarter, with a score of 80 out of 100, our highest achievement to date."

Property portfolio

During 1Q22, Growthpoint agreed 11 office leases, representing 5.5% of the office portfolio income, or 3.7% of the Group's total portfolio income. The weighted average lease term of the new leases was 5.0 years, and the weighted average rent review was 3.0%. There were no industrial leases executed during 1Q22. Growthpoint's industrial portfolio is fully leased, except for one small asset, located at Brisbane Airport, Queensland.

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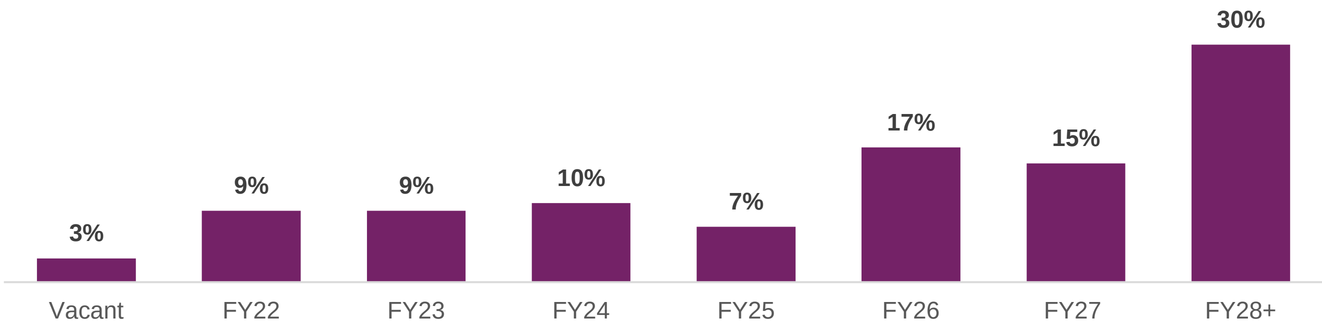
[1] Includes acquisition of new stapled securities in Dexus Industria REIT (ADI) (ASX: ADI) for $50.9 million, which settled in early October.

During the quarter, Bunnings Group Limited (Bunnings) signed an additional lease at Botanicca 3 across 2,068 square metres, the last remaining entire floor at Botanicca 3, to meet ongoing business needs. Botanicca 3 is now 93% occupied. Although leasing activity has been subdued due to the Melbourne lockdown, the Group continues to expect the building to be fully leased by the end of the calendar year.

The Group also signed a five-year lease extension with Samsung Electronics for its Australian office headquarters of 13,423 square metres, located at 3 Murray Rose Avenue, Sydney Olympic Park, New South Wales.

Portfolio lease expiry
per financial year, by income, as at 30 September 2021



The Group's most significant expiry in FY22 is a large distribution centre, which is fully leased to Woolworths, located in Larapinta, Queensland. This lease represents 5.4% of the Group's total portfolio income and is due to expire in February 2022. Woolworths has indicated that it plans to exercise a five-year option and an independent valuer is being appointed to undertake a market rent review.

As at 30 September 2021, the Group's WALE was 6.2 years and the portfolio occupancy was 97%, unchanged from 30 June 2021. The Group's office portfolio's WALE was maintained at 7.0 years and the industrial portfolio WALE declined slightly to 4.5 years (30 June 2021: 4.7 years).

On 24 August 2021, the Group reached settlement on the acquisition of a 100% leasehold interest in an A-grade, modern office asset, located at 11 Murray Rose Avenue, Sydney Olympic Park, directly opposite Olympic Park station. Completed in 2018, the fully-leased asset, comprises 5,684 square metres of accommodation, with ground floor retail, five upper levels of high-quality office accommodation and two levels of basement parking.

Capital management

Growthpoint's proforma gearing[2] was 30.2% as at 30 September 2021, 230 basis points higher than at 30 June 2021, as the Group used debt to fund the acquisition of new stapled securities in ADI for $50.9 million, the $52.0 million acquisition of 11 Murry Rose Avenue, Sydney Olympic Park, New South Wales, and its FY21 second half distribution. Growthpoint's gearing remains well below its target range, 35% – 45%, and the Group is actively looking to fund further accretive opportunities using its existing debt headroom.

As a result of deploying undrawn debt, and management of the Group's swap book, Growthpoint's weighted average cost of debt has decreased by 25 basis points to 3.05% per annum.

Outlook

Growthpoint maintains its FY22 FFO guidance of at least 26.3 cps and distribution guidance of 20.6 cps.

[2] Gearing is calculated as interest bearing liabilities less cash divided by total assets less finance lease assets less cash. Valuations as at 30 June 2021. Before the acquisition of the new ADI securities, which settled in early October, gearing was 29.5%.

Mr Collyer said, "As we look ahead, we are feeling confident that Growthpoint will continue to deliver attractive returns to our Securityholders. With Australia beginning to open up, as we meet the necessary vaccine targets, we expect to see a significant improvement in the economic environment and associated business confidence. This is likely to support increased tenant demand for our office and industrial assets. With high occupancy, a long WALE and strong tenant base, we have been protected from the short-term economic challenges presented by the COVID-19 pandemic and are well positioned to benefit as conditions improve."

This announcement was authorised for release by Timothy Collyer.

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About Growthpoint

Growthpoint provides spaces for people to thrive. For more than 12 years, we've been investing in high-quality industrial and office properties across Australia. Today, we own and manage 56 properties, valued at approximately $4.6 billion.[3]

We actively manage our portfolio. We invest in our existing properties, ensuring they meet our tenants' needs now and into the future. We are also focused on growing our property portfolio.

We are committed to operating in a sustainable way and reducing our impact on the environment.

Growthpoint is a real estate investment trust (REIT), listed on the ASX, and is part of the S&P/ASX 200. Moody's has issued us with an investment-grade rating of Baa2 for domestic senior secured debt.

Important information

[3] Valuations as at 30 June 2021.