

ASX announcement.

Growthpoint Properties Australia (ASX: GOZ)

14 December 2021

Growthpoint Properties Australia provides operating update and upgrades guidance

Growthpoint Properties Australia (Growthpoint or the Group) provides the following operating update, upgrades its FY22 guidance and announces its distribution for the six months ending 31 December 2021.

Key highlights

- Preliminary draft external valuations indicate a significant valuation uplift of \$256 million¹, which is expected to contribute an approximately \$0.33 per security increase to the Group's net tangible assets (NTA), to \$4.50 per security pro forma, from \$4.17 at 30 June 2021
- Acquisition of an A-grade, modern office asset, leased to government tenants with a 9.2 year weighted average lease expiry (WALE), located in suburb of Phillip, Australian Capital Territory (ACT), for \$84.6 million
- Refinanced \$715 million of debt and entered into two new debt facilities totalling \$150 million at lowest pricing in Group's history
- FY22 funds from operations (FFO) guidance upgraded to at least 27.0 cents per security (cps) and FY22 distribution guidance upgraded to 20.8 cps, previously at least 26.3 cps and 20.6 cps, respectively

Timothy Collyer, Managing Director of Growthpoint, said, "Growthpoint has had an active period across the business, during the first half of FY22. We are pleased to have exchanged contracts to acquire an A-grade office asset in the ACT, with high occupancy and a long WALE, increasing our investment in this market to \$261 million². The property is located in the suburb of Phillip, regarded as 'Australia's Public Health Hub', which will benefit from ongoing government investment in infrastructure and transportation links.

"We have also taken advantage of record-low pricing to extend \$715 million of existing debt facilities, reducing our refinancing risk and lowering our average cost of debt by 23 basis points and extending our weighted average debt maturity by 2.6 years. We have also entered into two new facilities of \$75 million each to fund future property acquisitions. The attractive terms we have secured highlight the strength of our relationships with our banking partners and their continued support of our growth ambitions.

"Both initiatives are expected to be accretive to FFO in FY22. We're pleased to upgrade our FFO and distribution guidance today to at least 27.0 cps and 20.8 cps, respectively, supported by strong leasing success across the portfolio, our additional investment in Dexus Industria REIT, the acquisition of 11 Murray Rose Avenue, Sydney Olympic Park, NSW, and the active management of our debt book."

Commenting on the results of the Group's preliminary draft valuations, Mr Collyer also said, "After the largest 12month like-for-like valuation increase in the Group's history over FY21, we are pleased to see that our preliminary draft external valuations indicate another substantial uplift in the first half of FY22. This uplift has been driven by leasing success across both our office and industrial portfolios, alongside favourable market conditions. There continues to be further yield compression across the industrial sector, with recent sales setting new benchmarks. Investor confidence in the office market is improving, as leasing markets appear to have stabilised, driving an increase in sales activity and yield compression for A-grade, well-leased assets."

Property portfolio external valuations

Growthpoint engaged independent external valuers to revalue 37 of its 56 properties³, or 74% of the Group's portfolio by value, at 31 December 2021. The preliminary draft external valuations indicate a \$256 million¹, or 7.5%, increase on a like-for-like basis in asset values to the 30 June 2021 book values. This uplift is expected to add approximately \$0.33 per security to the Group's NTA, which was \$4.17 per security at 30 June 2021.

¹ Gross increases, excluding capital expenditure incurred and net movement on incentives.

² Including existing ACT Property values as at 30 June 2021.

³ Excluding 2-6 Bowes Street, Phillip, ACT.

Growthpoint Properties Australia Trust ARSN 120 121 002

Growthpoint Properties Australia Limited ABN 33 124 093 901 AFSL 316409

Industrial

The Group had 22 of its 31 industrial assets revalued by independent valuers, representing 87% of its industrial portfolio by value. The preliminary draft external valuations indicate the value of the Group's industrial portfolio has increased by \$125 million, 9.6% higher on a like-for-like basis than the prior book values. On a like-for-like basis, the average market capitalisation rates of industrial properties valued has reduced approximately 30 basis points, from 5.0% to 4.7%.

Office

Growthpoint also had 15 of its 25 office assets revalued by independent valuers, representing 68% of its office portfolio by value. The preliminary draft external valuations indicate the value of the Group's office portfolio has increased by \$131 million, 6.2% higher on a like-for-like basis than the prior book values. On a like-for-like basis, the average market capitalisation rates of office buildings valued has reduced approximately 20 basis points, from 5.1% to 4.9%.

Independent valuations are subject to finalisation and audit and could be revised up or down. They also assume that there is no material change in market conditions before 31 December 2021, the effective date of the valuations. The final audited valuations for individual properties will be available as part of Growthpoint's 1H22 results, which will be released to the market on Thursday, 17 February 2022.

Acquisition of A-grade metropolitan office asset

Growthpoint has exchanged contracts to purchase an A-Grade, modern, government-leased office asset, located at 2-6 Bowes Street, Phillip, ACT, for \$84.6 million⁴. The acquisition will be funded using debt.

Constructed in 1986 and comprehensively refurbished in 2017/2018, the asset offers 12,376 square metres of office accommodation and 86 undercover parking spaces. The asset has achieved a 5.5 Star NABERS Energy rating and 5.0 Star NABERS Water rating.

The asset is 96% leased, with a 9.2 year WALE, at 31 December 2021. The AAA rated, ACT Government (Department of Health) is the major tenant, occupying 89% of the building, and the Australian Federal Government occupies 7%. The property is being acquired on a 5.0% initial income yield.

The contract of sale is subject to the approval of the Foreign Investment Review Board (FIRB). The Group has submitted its application and does not anticipate any issues with obtaining approval. Growthpoint expects settlement to occur five business days after receipt of FIRB approval.

Capital management

Growthpoint has refinanced \$715 million of debt with major Australian banks, and combined with the new debt facilities outlined below, has extended the Group's weighted average debt maturity to 4.7 years as at 30 November 2021 (30 June 2021: 4.1 years). The pricing achieved for the extended and new debt was the lowest in Growthpoint's history, helping to reduce the Group's average cost of drawn debt from 3.3% at 30 June 2021 to 2.9% as at 30 November 2021. The Group has only one facility of \$90 million maturing in December 2022, with no other debt maturing until December 2024.

The Group has also entered into two new debt facilities totalling \$150 million. After settlement of 2-6 Bowes Street, Phillip, ACT, Growthpoint expects to have approximately \$305 million of undrawn debt facilities. The Group expects the recent increase in transaction activity across the property market to continue and is actively looking to deploy these funds in the near term.

Given the indicative strong external property valuations, the Group expects to remain well below its target gearing range, 35%-45%, at 31 December 2021.

⁴ Net sale price, excluding acquisition costs.

FY22 guidance

In August 2021, Growthpoint provided FY22 FFO guidance of at least 26.3 cps. Since then, the Group has invested further capital into Dexus Industria REIT (ASX: DXI), purchased 11 Murray Rose Avenue, Sydney Olympic Park, NSW, enjoyed strong leasing success across the portfolio and actively managed its debt book. As a result, the Group has upgraded its FY22 FFO guidance to at least 27.0 cps, which represents a minimum of 5.1% growth over FY21.

Any further acquisitions that we may make, including 2-6 Bowes Street, Phillip, ACT, would be accretive to FFO. This guidance also anticipates no significant market movements or unforeseen circumstances occurring during the remainder of the financial year.

The Group has also upgraded its FY22 distribution guidance from 20.6 cps to 20.8 cps, up 4.0% on FY21.

Distribution for six months ending 31 December 2021

The distribution for the six months ending 31 December 2021 is 10.4 cents per security. The key dates for the distribution are:

| Ex-distribution date | Thursday, 30 December 2021 |
|----------------------|----------------------------|
| Record date | Friday, 31 December 2021 |
| Payment date | Monday, 28 February 2022 |

The Group confirms that the Distribution Reinvestment Plan remains suspended and will not be in operation for this distribution payment.

Growthpoint's 1H22 results will be released on Thursday, 17 February 2022.

This announcement was authorised for release by Growthpoint's Board of Directors.

For further information, please contact:

Kirsty Collins

Investor Relations and Communications Manager Telephone: +61 3 8681 2933

Growthpoint Properties Australia

Level 31, 35 Collins St, Melbourne, VIC 3000 growthpoint.com.au

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.⁵

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. We are targeting net zero by 2025.

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.

⁵ Valuations as at 30 June 2021.