



## Property portfolio review.



**Michael Green**  
Chief Investment Officer

**Portfolio quality improves through strategic investment and asset management initiatives within favoured office and industrial markets.**

### Leasing

The Group have undertaken 116,901 sqm of leasing over the past 12 months equating to approximately 11% of the portfolio's lettable area<sup>1</sup>. Another successful year of leasing has resulted in the portfolio occupancy being maintained at 98% and near term expiries reduced.

**Leasing highlights during the year include:**

- > Major lease extensions to key tenants including ANZ at 75 Dorcas Street, South Melbourne, Victoria (13,744 sqm) and Paper Australia at Lots 2, 3 & 4, 34-44 Raglan Street, Preston, Victoria (14,110 sqm) have reduced potential FY20 lease expiries to 9% from 11% one year ago.
- > Extending Woolworth's lease at 599 Main North Road, Gepps Cross, South Australia for 15 years post a Growthpoint funded major ~25,000 sqm expansion of the property.

- > The realisation of the leasing strategy at Quads 2 and 3, Sydney Olympic Park, New South Wales, is well underway, with the response to the small suite design being very positive. 2,807 sqm has been leased over the last six months representing approximately 27% of total lettable area.

### Capital Transactions

The Group has had an active and purposeful year acquiring and divesting a number of assets which has further increased the Group's diversity of tenants, WALE and exposure to core markets. Growthpoint acquired \$341.3 million of modern office property at a blended yield of 6.4% with a weighted average lease expiry of 7.7 years, weighted average rent review of 3.8% and an average NABERS rating of 5.5 stars.

- > In October we settled the \$91.3 million acquisition of 836 Wellington Street, West Perth, Western Australia, a measured acquisition into the Perth office market.
- > In December, the Group made its largest single office acquisition, purchasing the modern Bank of Queensland Headquarters building in Newstead, Queensland for \$250 million on an attractive yield of 6.1%.

Growthpoint has also taken advantage of buoyant market conditions to divest two properties which were no longer considered core assets within the portfolio. The Bedford Park, South Australia and Cambridge Park, Tasmania properties were originally acquired via the successful takeover of the Rabinov Property Trust. Post extending Westpac's lease for a second time at the Bedford Park property, the Group decided to take both the assets to market. Proceeds from the sale will be used to fund Growthpoint's development pipeline and future acquisitions.



**Total portfolio value**  
**\$3,983.8m**

(30 June 2018: \$3,356.1m)

**Portfolio occupancy**

**98%**

(30 June 2018: 98%)

**WALE**

**5.0yrs**

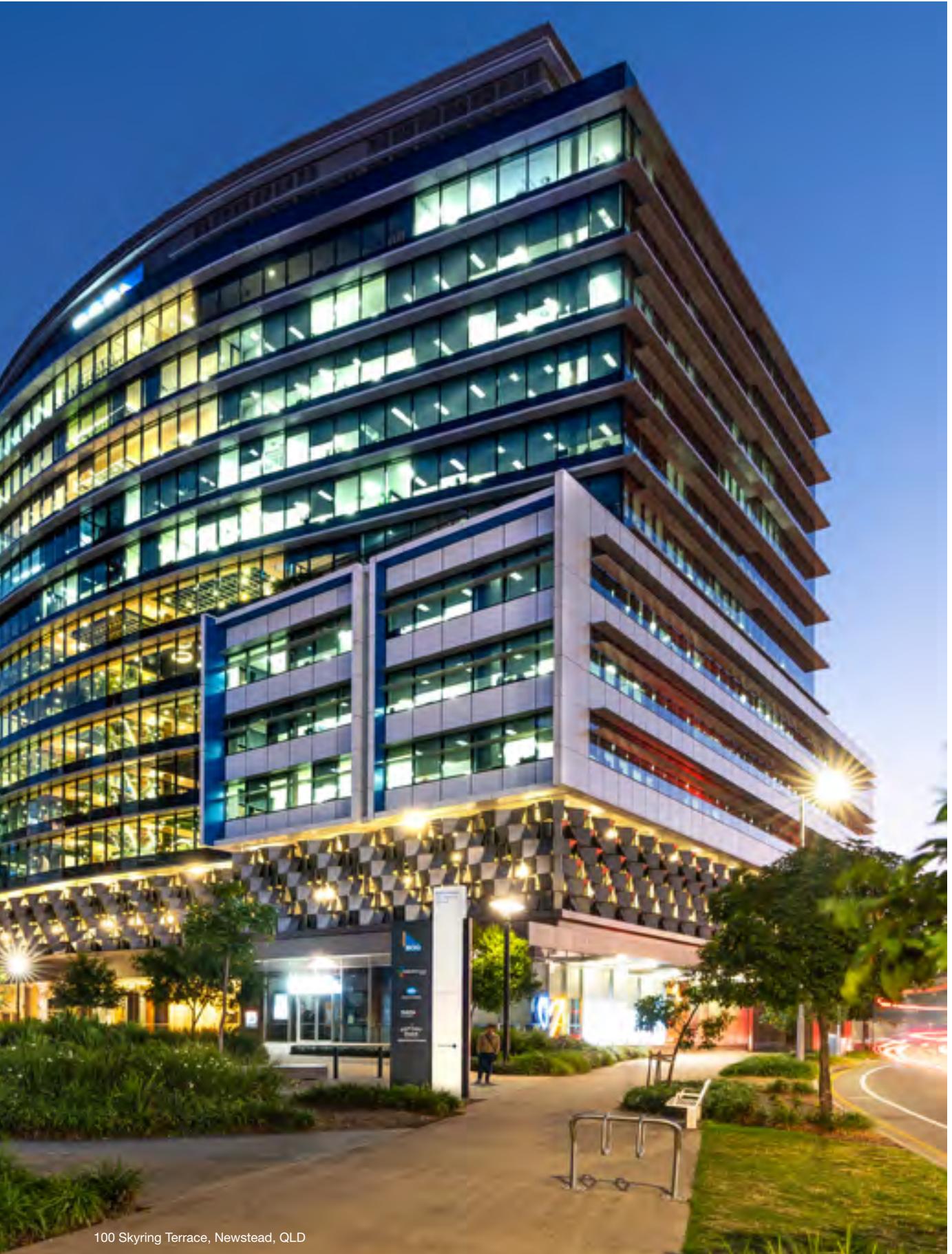
(30 June 2018: 5.3 years)

Number of assets	<b>57</b>
Total lettable area	<b>1,026,466 sqm</b>
Weighted average capitalisation rate	<b>5.9%</b>
WARR <sup>2</sup>	<b>3.3%</b>
Weighted average property age	<b>11.3 years</b>
Average value (per sqm)	<b>\$3,881</b>
FY net property income <sup>3</sup>	<b>\$225.4m</b>
Number of tenants	<b>155</b>

1. Excludes an additional 29,504 sqm of leasing completed since 30 June 2019.

2. Assumes CPI change of 1.6% per annum as per Australian Bureau of Statistics release for FY19.

3. Excludes IDR distributions.



100 Skyring Terrace, Newstead, QLD

## Property portfolio review continued

### Development

The Group's Botanicca 3 Development in Richmond, Victoria is progressing well, with the structure "topping out" in June 2019. The 19,300 sqm development is on target to achieve practical completion in Q1 2020. The well-designed building is garnering a lot of interest via various tenants in the market and the Group is hopeful of announcing leasing progress soon. On completion it is expected that the property will be worth approximately \$150 million and will provide the Group a yield on cost of between 7.5% and 8.5%.

In January 2019, we announced that we would be partnering with our major tenant Woolworths to expand their South Australian Regional Distribution Centre at a cost of approximately \$54 million and a yield on cost of 6.75%.

The expansion will add an additional 25,000 sqm of gross lettable area to the site and the Woolworths lease will be extended by 15 years from completion (practical completion anticipated in Q1 2020).

Over the next 12 months the Group's development focus will turn to 120 Northcorp Boulevard, Broadmeadows, Victoria, where Woolworths will vacate the 25-hectare site in February 2020. The site has the potential for an industrial estate of approximately 120,000 sqm of gross lettable area with an estimated value on completion of approximately \$150 million<sup>1</sup>.

### Valuations

Growthpoint's portfolio is well situated within the markets of office and industrial logistics.

The portfolio has increased on a like-for-like basis by 10.0% or \$330.9 million over the last 12 months with the average market capitalisation rate for the portfolio moving to 5.9% from 6.2%.

The continued strength in the capital and national office occupier markets has resulted in another positive year of valuation growth for Growthpoint's office portfolio. With Growthpoint's office assets situated in favoured CBD and metropolitan office locations throughout Australia there has been sustained valuation growth of 11.5% on a like-for-like basis since 30 June 2018.

Industrial logistics property is widely regarded as the global property sector of choice and this has been reflected in capital market transaction activity, yields continue to fall and logistics land values appreciate. Growthpoint's modern and well-located portfolio has performed well with valuations increasing by 7.1% on a like-for-like basis since 30 June 2018.

### Looking Ahead

Growthpoint's successful \$174 million equity raising in July 2019 has provided the Group with significant capacity for future acquisitions. As always, we will maintain a disciplined approach to acquisitions and seek to maximise value for our Securityholders.

With approximately 7% of the portfolio to lease over the next 12 months<sup>2</sup>, the focus is on ensuring early engagement with tenants well in advance of future expiries and leasing the Botanicca 3 development in Richmond, Victoria.

We will also be focusing on delivering our two major developments in a timely manner and finalising our future strategy for our exciting potential development on our 25-hectare industrial site in Broadmeadows, Victoria.



**Case study:**  
6 Parkview Drive,  
Sydney Olympic Park,  
New South Wales

**Creating flexible spaces  
for small businesses**

**Growthpoint identified a gap  
in the office market for small  
businesses seeking good quality,  
flexible office accommodation.**

Growthpoint worked with their leasing agents, GJS Property, and project delivery team, Intermain to provide the specification and layout suited to small business.

The spaces created by Growthpoint have been extremely successful as they not only provide solutions for flexible working, but also offer a central Sydney location in Sydney Olympic Park, which is an attractive geographic location for businesses whose clients are located throughout Sydney.

1. Broadmeadows development is subject to Board and third party approvals. On-completion value based on an estimate capital value calculated at \$1,250 per sqm of lettable area. Growthpoint may also consider leasing the property 'as is' or selling the property.

2. Excluding 120 Northcorp Boulevard, Broadmeadows, Victoria.



**Top ten tenants**

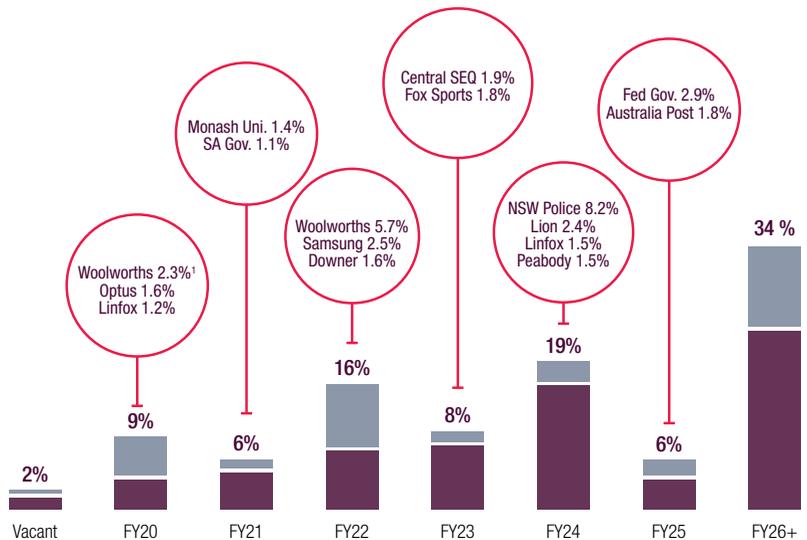
by passing rent, as at 30 June 2019

	%	WALE (yrs)
Woolworths	14	5.3
NSW Police	8	4.9
Commonwealth of Australia	8	7.0
Bank of Queensland	4	7.6
Linfox	4	3.9
Country Road Group	3	13.0
Samsung Electronics	3	2.7
Lion	2	4.8
ANZ Banking Group	2	6.7
Jacobs Group	2	7.3
<b>Total / weighted Average</b>	<b>50</b>	<b>6.1</b>
Balance of portfolio	50	3.9
<b>Total portfolio</b>	<b>100</b>	<b>5.0</b>

**Portfolio lease expiry profile (%)**

per financial year, by income

- Major lease expiries (>1% of portfolio income)
- Office
- Industrial



1. Refers to Broadmeadows, Victoria property which may be removed if developed or sold.

# Portfolio summary.

As at 30 June 2019

Growthpoint owns the largest metropolitan office portfolio in the A-REIT sector, together with CBD office assets and a large industrial portfolio.



**Total office assets**

**26**

(30 June 2018: 26)



**Total industrial assets**

**31**

(30 June 2018: 31)

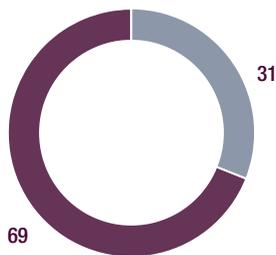


**Portfolio occupancy**

**98%**

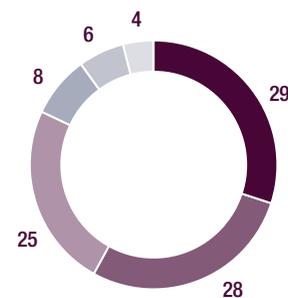
(30 June 2018: 98%)

**Sector diversity (%)**  
by property value,  
as at 30 June 2019



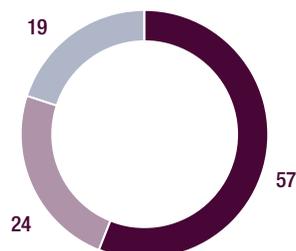
■ Office  
■ Industrial

**Geographic diversity (%)**  
by property value,  
as at 30 June 2019

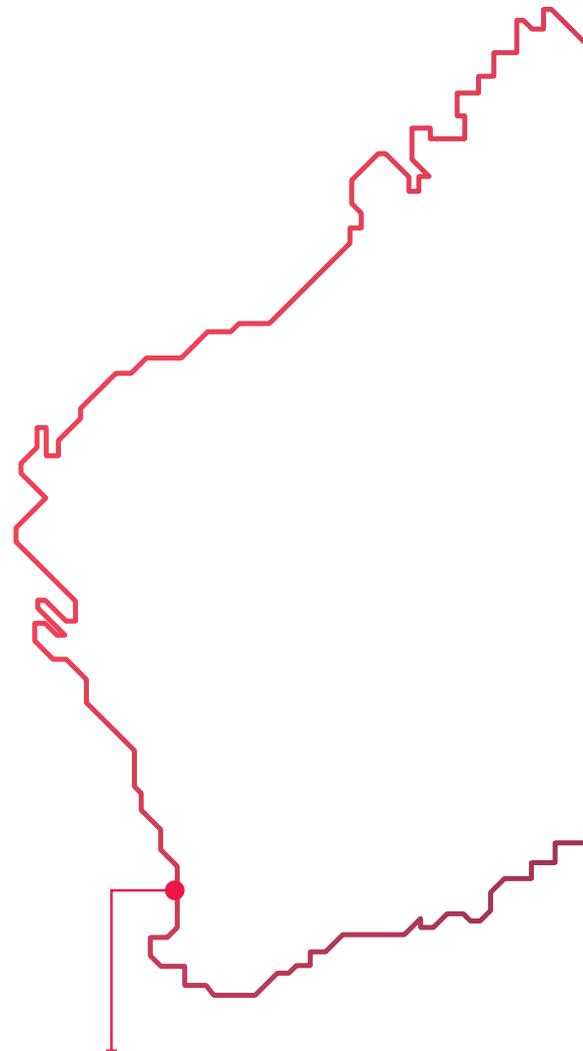


● Queensland  
● Victoria  
● New South Wales  
● Western Australia  
● South Australia  
● Australian Capital Territory

**Tenant type (%)**  
by income,  
as at 30 June 2019

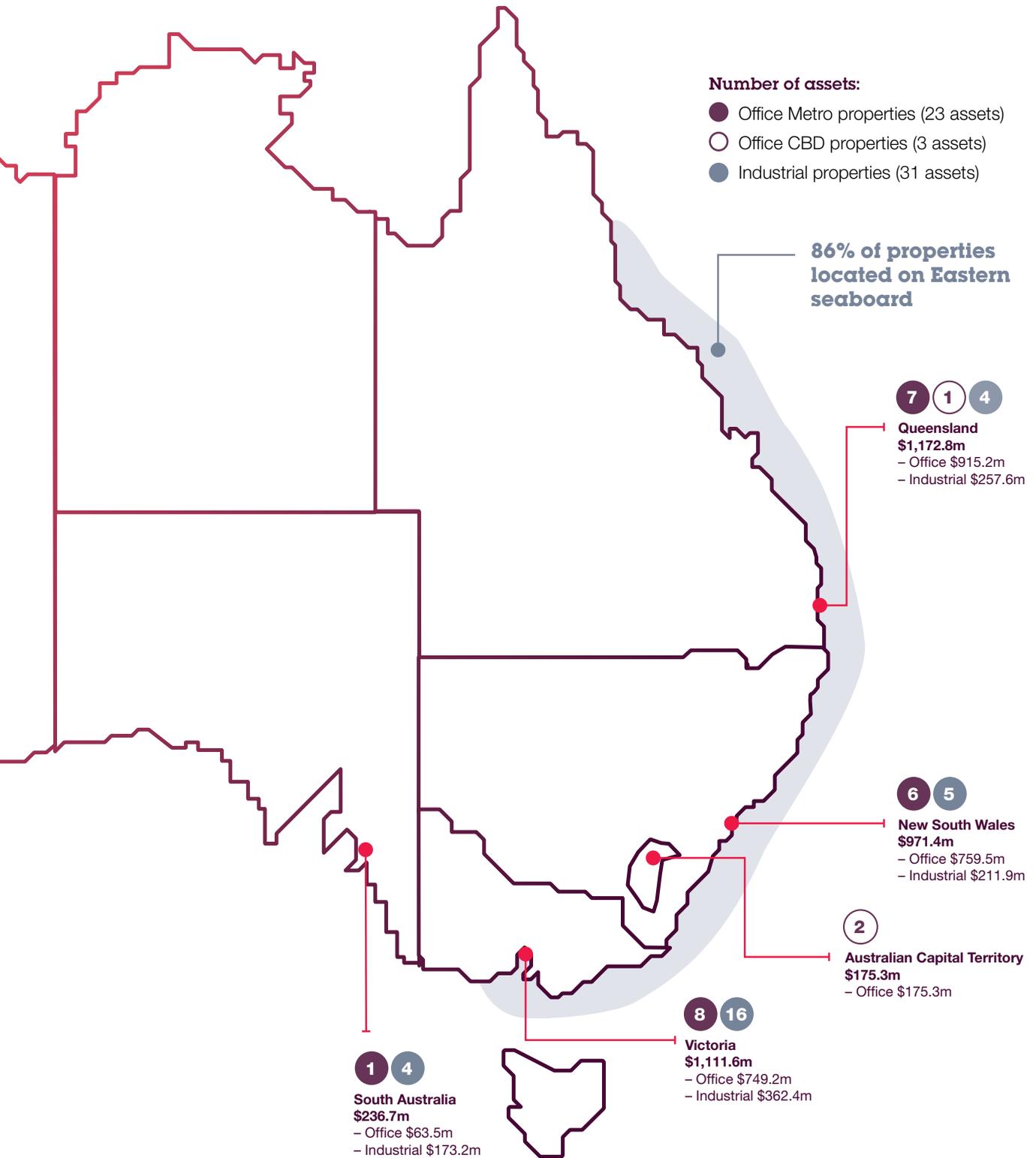


■ Listed company  
■ Government owned  
■ Private company & other



**1 2**

**Western Australia**  
**\$316.1m**  
– Office \$92.5m  
– Industrial \$223.6m





## Sustainability.

Committed to sustainable growth.



### Building efficiency

- > Average NABERS Energy rating increased to 4.8 stars (FY18: 4.6 stars)
- > Recent acquisitions average in excess of 5.5 stars



### Climate change

- > Tracking favourably towards our 2021 target of 10% GHG emissions reduction, currently at 4%



### Sustainable governance

- > Improved efficiencies in risk governance and compliance through adoption of a refreshed Risk Management framework
- > Implementation of online GRC monitoring platform



### Renewable energy

- > Developing a renewable energy purchasing strategy
- > On-site solar projects under development at Botanicca 3, Richmond, VIC, Gepps Cross, SA and Dorcas Street, South Melbourne, VIC



### Tenant engagement

- > Tenant experience survey reported overall tenant satisfaction at 70%. Opportunities available to continue to strengthen tenant relationships
- > Ongoing engagement with tenants promoting sustainability initiatives



Further information can be found in the 2019 Sustainability Report: [growthpoint.com.au/sustainability/operating-sustainably/](https://www.growthpoint.com.au/sustainability/operating-sustainably/)



5 Murray Rose Avenue, Sydney Olympic Park, NSW

Business Overview

Portfolio Review

Financial Management

Board & Remuneration Report

Financial Report

Additional Information