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## ASX ANNOUNCEMENT

14 November 2019

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### CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

Following is the Chairman's address and the Managing Director's presentation to be delivered at today's Annual General Meeting of GDI Property Group<sup>1</sup>.

#### Media Enquiries:

Steve Gillard  
Managing Director  
+61 2 9223 4222

[steve@gdi.com.au](mailto:steve@gdi.com.au)

David Williams  
Chief Financial Officer  
+61 2 9223 4222

[david@gdi.com.au](mailto:david@gdi.com.au)

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1. GDI Property Group comprises the stapled entities GDI Property Group Limited (ACN 166 479 189) and GDI Property Trust (ARSN 166 598 161).

## CHAIRMAN'S ADDRESS

This is my first address to you as Chairman of your Board. I have been a member of the Board since GDI's Initial Public Offer of securities in late 2013 and was appointed Chairman on the retirement of Graham Kelly after last year's Annual General Meeting. Our Board has now been rejuvenated, with not only Graham's retirement, but also the 2017 retirements of Tony Veale and Les Towell. Replacing Graham, Tony and Les on the Board are John Tuxworth, Giles Woodgate and Stephen Burns, all highly credentialed and adding significant value to your company, GDI. John is seeking re-election later on during this meeting, and the Board unanimously endorse his re-election.

Notwithstanding the change in personnel on the Board, the strategy of GDI has not changed. Indeed, the consistency of our approach and strategic intent has proven to be valuable to GDI in the uncertain world in which we operate. As always, we aim to buy well located buildings for below replacement cost and then manage them to their fullest potential, with the aim of our owners and investors receiving the benefits of higher rental income and increased values. This is true for assets that reside in both the Property Division and the Funds Business. This strategy has been successful for many years, but I'll let our Managing Director, Steve Gillard, discuss our strategy and the current business during his address.

Instead, I would like to focus on how we as a Board act for you, our owners. Much of what I discuss is dealt with in greater detail in our Corporate Governance Statement, which is available on our website, and I encourage you to read this if you haven't already done so.

We, the Board, are independent, with diverse experience and skills. We review our performance often, and formally bi-annually, to ensure that individually and as a collective we are continuing to provide an appropriate level of oversight and help Steve and his team to set strategies that will continue to deliver results for you, our owners and investors.

Like all public companies, the governance of GDI is under increasing scrutiny. Banking Royal Commissioner Justice Hayne has offered six fundamental principles for all Board Directors: obey the law; do not mislead or deceive; be fair; provide services that are fit for purpose; deliver services with reasonable care and skill; and when acting for another, always act in their best interests. Everyone at GDI, the Board and staff, are expected to act in accordance with these fundamental principles, whilst adhering to our core values – integrity, respect, performance, compliance and safety.

The Board is very proud of the GDI team. It is very experienced and has been very stable. There are only 12 staff and since GDI's IPO we have had only one departure. We recognise that our staff are stakeholders in our business and that their success is our success. We individualise development programmes that seek to both accelerate an individual's career path and assist with succession planning. All staff are eligible for cash bonuses and participation in GDI's LTI plan based on merit. Staff are also encouraged to be benevolent and stay healthy. This lack of turnover has made it difficult to achieve some of the diversity targets that we have set, but it has created a culture that is very tight, very loyal and that continues to deliver results.



We have a remuneration structure that we believe aligns our whole team to our objectives and core values. We implemented the remuneration structure in 2013 following our IPO and even though we review it every year, we have had no reason to change either the structure or the targets and hurdles. This is not just because of alignment, but it also speaks to the view that remuneration is an outcome rather than a motive. If we exceed our objectives in both the short and long term whilst adhering to our core values, then our staff will do well. If we exceed our objectives but do so by deviating from our usual processes, or by acting outside our core values, then rewards will not follow. Of course, you, our owners, get to vote on our remuneration practices annually, and I'm very pleased to say that in every AGM since our IPO the remuneration report has been overwhelmingly endorsed. Again you having another opportunity to vote on remuneration later on during this meeting.

We as a Board have ultimate responsibility for the risk management systems and processes. Where there are risks we cannot control or accept, we will look to insure. All our properties are insured for their replacement value, including loss of rent. A significant risk that we as a Board monitor is climate change and resource management. Not only do we recognise the risks to our business of climate change, we accept our role to be a leader of change.

On a personal note, it is a great privilege to chair GDI and I am grateful for the support of my fellow Board Members John, Giles and Stephen. I would also like to acknowledge the significant legacy of my predecessor, Graham Kelly.

Most importantly, I would like to congratulate Steve Gillard and the whole GDI team for another successful year and thank them all for their efforts.

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[david@gdi.com.au](mailto:david@gdi.com.au)

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# GDI PROPERTY GROUP

Annual General Meeting

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# Overview of FY19



NTA – \$1.26 per security



FFO of 8.96 cents per security



Distribution of 7.75 cents per security



Securityholder return in FY19 of 13.4%



Absolute Total Return in FY19 of 13.3%



Loan to value ratio on Principal Facility of 8.3%

# Portfolio strategically weighted towards Perth

- Since beginning of 2017 have sold
  - 307 Queen Street, Brisbane
  - 25 Grenfell Street, Adelaide
  - 66 Goulburn Street, Sydney
  - 223 – 237 Liverpool Road, Ashfield (from GDI No. 42 Office Trust)
  - 80 George Street, Parramatta (GDI No. 40)
- Used the proceeds to/for
  - Acquisition of 141 St George Terrace, Perth (Westralia Square)
  - Deleveraging the balance sheet to facilitate future acquisitions
  - Working capital
- GDI's wholly owned portfolio now heavily weighted to Perth, owning both Westralia Square and Mill Green
  - Both provide GDI with a significant amount of value upside on execution of the asset management initiatives
- The two latest Fund Business acquisitions have also been Perth based
  - GDI No. 43 Property Trust owns Perth's only IKEA store
  - GDI No. 46 Property Trust will own 17 car dealerships and service centres in metropolitan Perth
- Have also exchanged a conditional contract to acquire 180 Hay Street, Perth, which will be 100% vacant on settlement



## 307 Queen Street, Brisbane

- Bought 2013 - \$120.8 million
- Sold 2017 - \$141.0 million



## 25 Grenfell Street, Adelaide

- Bought 2010<sup>1</sup> - \$76.0 million
- Sold 2017 - \$124.0 million



## 66 Goulburn Street, Sydney

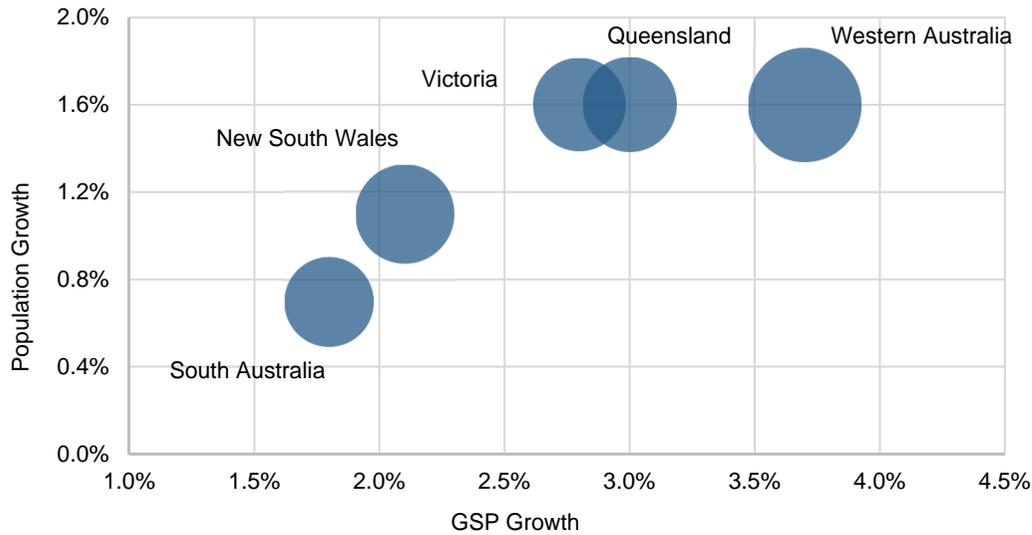
- Bought 2014 - \$136.0 million
- Sold 2017<sup>2</sup> - \$252.0 million

1. Bought in 2010 by GDI Premium Office Trust, transferred into GDI Property Trust as part of its Initial Public Offer for \$109.6 million

2. Before settlement adjustments and selling costs of approximately \$24.0 million

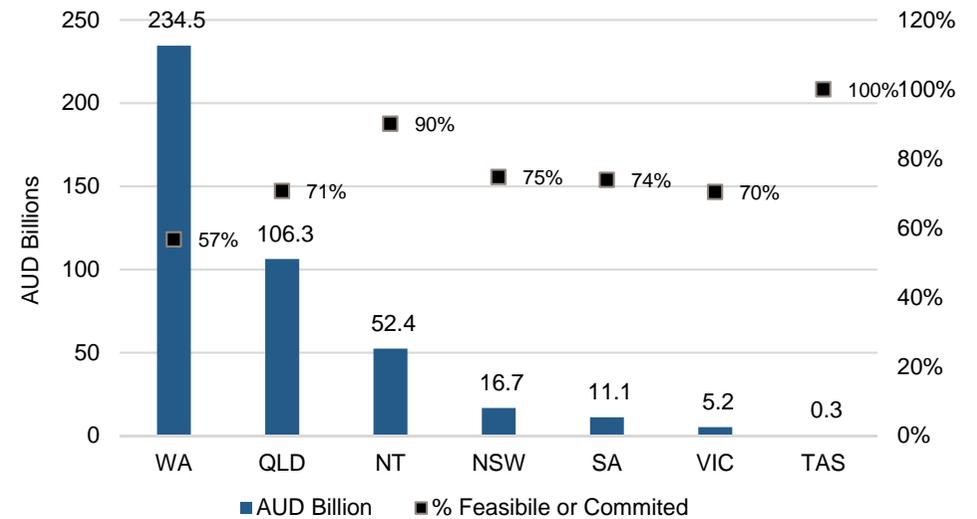
# Why Perth?

Forecast GDP growth and population growth, 2019 to 2028



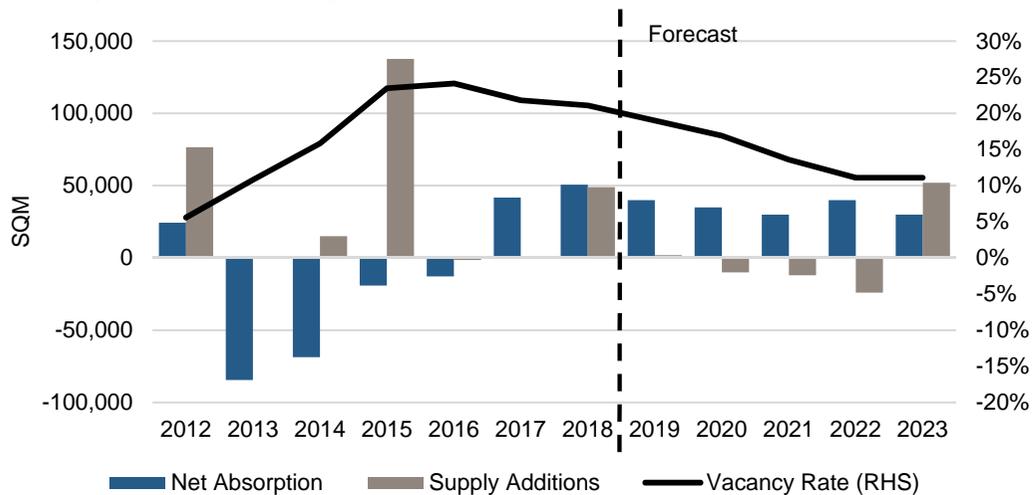
Source: JLL Research, Oxford Economics

Resources sector investment pipeline by state



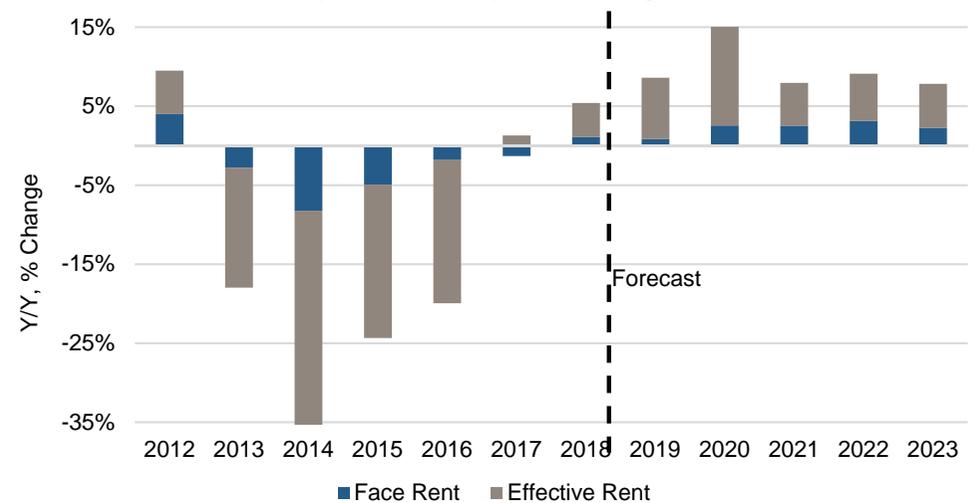
Source: Dep't of Industry, Innovation and Science, JLL Research

Absorption and vacancy forecasts



Source: JLL Research

Effective rents have passed the cyclical trough



Source: JLL Research

# A great start to FY20

## Westralia Square leasing

- Leased 14,522sqm of lower level accommodation for 5 and 6 years to Minister for Works
  - 12,689sqm to WAPOL for 5 years<sup>1</sup> commencing 1 February 2021
  - 1,833sqm to Births, Deaths and Marriages for 6 years commencing 1 February 2021
- De-risked Westralia Square, with further upside to be delivered through leasing the upper levels in to a stronger market in FY20 and FY21



1. WAPOL has certain 12-month lease extension and termination rights on the giving of at least 18 months-notice, and in the case of termination, compensation to GDI

## Acquisition of 180 Hay Street, Perth

- Exchanged a conditional<sup>1</sup> contract to acquire 180 Hay Street, Perth, for \$12.59 million
  - Comprises 4,925sqm of net lettable area
  - Acquisition price of approximately \$2,500/sqm
  - Will be 100% vacant on settlement, expected on or around 30 June 2020
- Opportunity to add significant value through a refurbishment and releasing campaign



1. The contract is conditional on the vendor completing various works and reports to the satisfaction of the purchaser no later than 60 days prior to settlement

# A great start to FY20

## DVG portfolio acquisition

- Entered in to a call option to acquire a portfolio of 17 car dealerships and service centres in metropolitan Perth
  - Approximately 11 year WALE with CPI<sup>1</sup> + 1% rental increases and market reviews<sup>1</sup> in 2023 and 2028
  - Passing yield on acquisition of 8.0%
  - All locations on major arterial roads with high underlying land values
- GDI No. 46 Property Trust<sup>2</sup> seeking to raise approximately \$76.0 million
  - Initial distribution yield of 7.75%<sup>3</sup> p.a. for the period ended 30 June 2020, growing to 8.00%<sup>3</sup> for the year ending 30 June 2021
  - Initial gearing of 31% loan to value ratio
  - Medium to long term fund



163-169 Great Eastern Highway, Midland

1. CPI is Perth Capital City CPI and the market reviews have a 10% cap and 5% collar
2. This announcement does not constitute an offer to any person. Units in GDI No. 46 Property Trust will be offered pursuant to an information memorandum expected to be made available by GDI Funds Management Limited (ACN 107 354 003 AFSL 253142) in late November and will be only available to wholesale clients within the meaning of sections 761G and 761GA of the Corporations Act 2001 (Cth)
3. The expected yield is based on certain assumptions and may not be achieved.

## Westralia Square new development

- Proceeding with plans to lodge an amended Development Application for a new 9,000sqm building on the excess land at Westralia Square
  - 11 levels with 800sqm floor plates
  - Light weight construction utilising steel and timber
  - No excavation and no loss of any of the existing car bays
- Total project costs, excluding finance, leasing fees and incentives, of approximately \$63.0 million
- Estimated completion date of end of calendar year 2021



Architectural drawing only

# But still a lot more to do...

## Leasing

- Significant leasing opportunities at
  - 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Trust)
  - 180 Hay Street, Perth
  - Westralia Square, Perth
  - 235 Stanley Street, Townsville (GDI No. 42 Office Trust)

## Capital markets

- Exit 46 Mount Street, Burnie (GDI No. 27 Total Return Fund)
- Accelerate the sell down of the strata suites at
  - 251 Adelaide Terrace, Perth (GDI No. 29 GDI Office Fund)
  - 10 Market Street, Brisbane (GDI No. 33 Brisbane CBD Trust)
- Monitor opportunities to exit 50 Cavill Avenue, Surfers Paradise
- Continue to review acquisition opportunities for both the Property division and Funds Business, focusing on markets demonstrating the strongest near to medium term growth prospects

## Capex and development

- Progress the development opportunity at 1 Mill Street, Perth
- Exceed the timeline for the development of the excess land at Westralia Square
- Complete/progress the capex works programmes at
  - 197 St Georges Terrace, Perth
  - Westralia Square, Perth

