
ASX ANNOUNCEMENT

24 FEBRAURY 2020

GDI half year results for the period ended 31 December 2019

GDI¹ is pleased to release its half year financial results for the period ended 31 December 2019.

Key highlights

- Net Tangible Asset (NTA) per security of \$1.32, up \$0.06 per security from the NTA at 30 June 2019
- Funds From Operations (FFO)² per security of 4.397 cents
- Distribution per security for the period of 3.875 cents, in line with guidance

Operational highlights

Leasing

The highlight from a leasing perspective was the Minister of Works executing two new leases for 14,522sqm at Westralia Square. The Western Australia Police Force (WAPOL) has leased 12,689sqm over levels 1-5, 8 and 9 for a period of five years³ commencing 1 February 2021, and Births Deaths and Marriages (BDM) has entered in to a new six-year lease for 1,833sqm over level 10, also commencing on 1 February 2021. The previous leases over 25,664sqm to the Minister of Works were varied, largely to facilitate WAPOL's relocation within Westralia Square from the upper levels to the lower levels, and the departure of the Department of Justice.

Securing WAPOL has meant that all the lower levels at Westralia Square, excluding the fitted-out show floor, level 7, are now leased and we anticipate releasing the upper levels into the improving Perth market once they become available during 2020.

Funds Management division

The highlight for the Funds Management division was securing a \$98.0 million portfolio of 17⁴ metropolitan Perth properties (Portfolio) occupied by high profile car dealerships and service centres located on major arterial roads. The Portfolio is fully leased for a term of approximately 11 years, with the tenant⁵ having 5 x 5-year options. The leases have annual CPI⁶ + 1% rental increases, with market reviews⁶ in 2023 and 2028. The acquisition was funded through the establishment of a new unlisted unregistered managed investment scheme, GDI No. 46 Property Trust (the Trust). The Trust is forecast to have a commencing distribution yield of 7.75%⁷ p.a., with conservative gearing of 31%. GDI holds approximately 48% of the 75.7 million units on issue.

Development opportunities

GDI has two exciting development opportunities in the core of the Perth CBD. At Westralia Square, we have increased the size and scale of the proposed development of the excess land (WS2) to approximately 9,130sqm over 11 floors and are dealing with the adjoining owners in the precinct to obtain their consent to lodge the development application. At 1 Mill Street, we are continuing to discuss the opportunity with several major occupiers.

Capital markets

Although only a small acquisition, we are very pleased to have exchanged contracts to acquire 180 Hay Street, Perth, for \$12.59 million. Constructed in 1999, 180 Hay Street comprises 4,925sqm of well-presented office space over four floors of over 1,000sqm each and a mezzanine level. On settlement on or around 30 June 2020⁸, the Property will be 100% vacant.

NTA per security

Our wholly owned portfolio⁹ is now independently valued at \$759.0 million, with Mill Green (+\$13.0 million to \$343.0 million) and Westralia Square (+\$31.0 million to \$316.0 million) revalued at 31 December 2019. Following the revaluations, our NTA per security has increased \$0.06 since 30 June 2019 to \$1.32. With only \$71.0 million of drawn debt as at 31 December 2020, our balance sheet remains in a strong position giving us the financial flexibility to continue our asset management initiatives and fund any future acquisitions.

Positioned for growth

Since its Initial Public Offer of securities in December 2013, we have delivered an absolute total return¹⁰ of 15.97%p.a. Our portfolio is now heavily weighted to Perth, and with assets with visible capital value upside potential, we believe we can continue to deliver these outstanding results, even with our very conservative balance sheet.

Guidance for remainder of FY20

We are pleased to confirm, subject to no material change in circumstances, a forecast distribution of 7.75 cents per security for FY20, noting that 3.875 cents per security has been declared for the first half of FY20.

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Authorised for release by David Williams, Company Secretary

1. The stapled group comprising GDI Property Group Limited (ACN 166 479 189) and GDI Property Trust (ARSN 166 598 161) and their controlled entities.
2. FFO is a Property Council of Australia definition which adjusts AIFRS net profit for non-cash changes in Investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items.
3. 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.
4. GDI acquired 19 properties, with two properties to be amalgamated.

5. The tenant is either Buick Holdings Pty Limited (Buick), or wholly owned subsidiaries of Buick. Buick is owned 67% by IDOM Automotive Group Pty Limited, a wholly owned subsidiary of IDOM Inc, an entity listed on the Tokyo Stock Exchange, and 33% by entities associated with the DiVirgilio family.
6. CPI is Perth Capital City CPI and the market reviews have a 10% cap and 5% collar.
7. The expected yield is based on certain assumptions and may not be achieved.
8. The target date for settlement is 30 June 2020, however the vendor can give 90-days' notice for settlement to occur on any day between 2 April 2020 and 29 September 2020.
9. Excluding the strata unit at 38 / 46 Cavill Avenue, Surfers Paradise.
10. Absolute total return is defined as movement in NTA + distributions.