
ASX ANNOUNCEMENT

20 FEBRUARY 2023

GDI results for the period ended 31 December 2022

GDI¹ is pleased to release its financial results for the period ended 31 December 2022.

Key operational highlights

- The near completion of WS2, an approximately 9,500sqm office building constructed from a combination of steel and timber;
- Leasing, renewing or signing Heads of Agreement for over 20,000sqm of space, with over 10,000sqm occurring since mid-December; and
- Entering into a call option to acquire the South Hedland Motel and the accompanying Lodge as part of a broader initiative of owning, managing and syndicating co-living workforce accommodation jointly with the Tulla Group.

Perth market improves

Perth began the period emerging from two years of closed borders followed by two months of its first COVID wave. Although business conditions appeared on the surface to be healthy, business leaders seemed reluctant to commit to new projects or contracts, including leases. At our portfolio, leasing enquiries were at levels we had not previously seen, necessitating the requirement to employ another asset and leasing manager. Nevertheless, the levels of enquiry did not translate to anywhere near the same levels of executed leases during the six-month period ended 31 December 2022. However, in late 2022 and early 2023 we've seen a significant increase in the execution of firstly Heads of Agreement, and subsequently, leases. Since 1 July 2022 we've signed either new leases, lease renewals or Heads of Agreement for over 20,000sqm of space, with approximately half of this occurring since December 2022. Further details of our leasing activity are provided below.

Our leasing momentum is reflective of the overall Perth market statistics. In Q4 2022, Perth recorded net absorption of 4,400sqm, its fifth consecutive quarter of positive net absorption, resulting in the overall market vacancy rate decreasing to 15.6%. Although incentives have remained stubbornly high, with robust economic conditions supporting future demand for office space, it is anticipated that Perth will experience an accelerated decrease in the level of incentives offered, resulting in a similar increase in effective rents.

Strong leasing momentum

We are extremely pleased that we've made significant progress with leasing and releasing our assets since 30 June 2022. At Westralia Square, included Heads of Agreement, occupancy has increased to 88%, up from 78% at 30 June 2022, with the signing of a new Heads of Agreement for approximately 3,100sqm over level 17 and most of level 18. Subject to execution of a lease, this now leaves only levels 16 (fitted out) and 19, and a small suite on level 18, vacant.

At WS2, we have now signed two Heads of Agreement for five of the 11 floors. Both tenants (one two floor and one three floor) have late 2023 lease commencement dates. We anticipate an acceleration of interest now that prospective tenants can inspect the building.

We have had similar success at Mill Green, Perth. At 5 Mill Street, including Heads of Agreement, occupancy has increased to 92%, up from 83% at 30 June 2022. This includes a tenant having signed a Heads of Agreement over all

of level 4. This floor had been vacant for over two years, but by the end of 2022 had three prospective tenants interested in it. There are now only three vacant suites at 5 Mill Street.

Following the departures of Jacobs (Worley) from four upper floors in November 2021, and AMEC from 7,341sqm over seven-lower levels in the second half of 2022, 197 St Georges Terrace has become a releasing story. Since 30 June 2022, we have either leased, renewed, or signed Heads of Agreement for over 7,000sqm of NLA, and are negotiating with two more whole floor tenants. With most of the vacancies either having existing or new fitouts, or fitouts that can be repurposed, we are confident that we can make a significant dent in the current vacancy by the end of 2023. Occupancy, including signed Heads of Agreement, is now 65%, up from 61% at 30 June 2022.

At our only other wholly owned office asset, 180 Hay Street, Perth, we have had some interest from single floor and whole of building tenants, but at this stage nothing has progressed to warrant further discussion. The refurbishment works are now complete, and the asset presents as new, so we remain hopeful of a successful leasing transaction as the Perth market continues to improve.

Finally, at 235 Stanley Street, Townsville (Stanley Place), we have signed a Heads of Agreement with a three floor tenant for approximately 3,000sqm of NLA, leaving only one full floor and a small suite vacant. Including this Heads of Agreement, occupancy at Stanley Place is now 89%, up from 59% at 30 June 2022.

WS2 nearly complete

In the second half of 2021 we commenced construction of a new development on vacant land at Westralia Square. WS2 is an approximately 9,500sqm office building constructed from a combination of steel and timber on top of an existing carpark. The steel and timber materials, together with the adaptive use of the existing concrete carpark, makes WS2's construction one of the most environmentally efficient new buildings of its scale in Australia. Unfortunately, we had anticipated that WS2 would have been completed by the end of 2022. However, we and our builder, Built, were not immune from the well-publicised delays construction projects experienced in 2022 due to COVID outbreaks, supply constraints and inclement weather. An occupation certificate is imminent, meaning signed Heads of Agreements will soon be able to be converted to executed leases.

South Hedland Motel and Tulla Joint Venture

Post balance date, GDI entered into a call option to acquire the South Hedland Motel (SHM) and the accompanying Lodge Motel (Lodge), for a combined purchased price of \$27.0 million². SHM and the Lodge are two separate properties located in the heart of South Hedland. SHM comprises approximately 107 rooms, and the Lodge 135 rooms, with the ability to add up to another 40 rooms at the SHM site. The motels have been run as a combination of a standard motel operation and workforce accommodation.

The acquisition of the SHM and Lodge is part of a broader strategy of investing into and managing workforce accommodation properties. GDI has signed a Term Sheet with Tulla Group to form a 50 / 50 joint venture to own, manage and syndicate 'co-living facilities' (Joint Venture). Tulla Group is the private investment vehicle of the Maloney family, who built The MAC Services Group, a mining accommodation company that was listed on the ASX in April 2007 and sold to Oil States International in December 2010. Tulla Group, through its wholly owned subsidiary Resource Accommodation Pty Limited (RAM), currently own and operate one village at Norseman, Western Australia. It is intended that this facility at Norseman and the SHM and the Lodge will be the seed assets of the Joint Venture. The Joint Venture is subject to formal documentation.

We believe that there is a tremendous opportunity to invest in, own, manage and syndicate mining accommodation facilities. With the expertise of the Tulla Group, the Joint Venture intends to build and acquire accommodation facilities, and once the Joint Venture believes there is sufficient scale and diversity, GDI intends to syndicate the real estate to its network of high-net-worth investors, freeing up capital to invest in further facilities.

Pursuant to the terms of the Term Sheet with Tulla Group, GDI intends to invest \$33.0 million into the Joint Venture. GDI intends to fund this commitment through its debt facility. The Joint Venture will use GDI's investment to fund the settlement of the SHM and the Lodge. Settlement of the SHM and the Lodge, and finalisation of the Joint Venture, is expected on or before 14 April 2023.

Financial outcomes

NTA

We obtained independent valuations for all of our wholly owned properties, as well as 235 Stanley Street, Townsville (GDI No. 42 Office Trust). As a result of these independent valuations our net tangible asset per security decreased to \$1.25, from \$1.27 at 30 June 2022. However, no value other than costs incurred to date are included in the value of WS2 and on completion it is anticipated that there will be an approximately \$20.0 - \$25.0 million uplift in value, equating to between \$0.04 and \$0.05 cents per security.

Funds From Operations and distribution per security

FFO³ per security was 2.643 cents, a slight decrease over the previous corresponding period of 2.845 cents. Improvements in the contributions of Westralia Square and a full period from the Perth CBD carparks did not offset the lower contribution from Mill Green, and a higher interest expense. The distribution for the period was 2.500 cents per security.

Gearing

GDI has drawn debt on its Principal Facility⁴ of \$260.3 million and undrawn debt of \$52.7 million to facilitate the completion of WS2 and for working capital purposes. GDI remains well within its Principal Facility covenants, with a Covenant Loan to Value ratio of 33% (Covenant of 50%) and a Covenant Interest Cover ratio of 3.85X (Covenant of 2X).

Guidance for FY23

We confirm that it is our intent to pay a cash distribution of no less than 5.00 cents per security for FY23, subject to no material change in circumstances or unforeseen events, noting that 2.500 cents per security has been declared for the first half. As with FY22, we would expect that a proportion of any cash distribution for FY23 will be paid out of capital.



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Authorised for release by David Williams, Company Secretary

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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. GDI has paid a call option fee of \$1.35 million, which will be deducted from the purchase price on settlement.
 3. 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. AFFO adjusts FFO for incentives paid during the period and maintenance capital.
 4. GDI's Principal Facility is secured by first registered mortgage over the wholly owned investment properties held by GDI and a registered GSA over the assets of GDI.

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