
ASX ANNOUNCEMENT

19 FEBRUARY 2024

GDI results for the period ended 31 December 2023

GDI¹ is pleased to release its financial results for the period ended 31 December 2023.

Key operational highlights during the period

- Leasing, renewing or signing Heads of Agreement for over 28,000sqm of space in the six-month period ended 31 December 2023, representing 28% of our Perth office portfolio;
- Welcoming our first occupant to WS2, the global real estate advisory business Savills, with ARUP and Navitas to occupy the building prior to 30 June 2024;
- Extending our Principal Facility to December 2026, and increasing the limit by \$25.0 million to \$376.5 million. As part of this increase and extension, we welcomed a second tier 1 bank as a new funding partner;
- Restructuring our management team and realigning some of our key service providers; and
- Benefiting from the strong performance of the Co-living JV, with an enhanced offering at South Hedland leading to high average occupancy and consequential profits.

Perth market improves

GDI's office portfolio is heavily weighted to Perth which has experienced nine consecutive quarters of positive absorption, continuing to be one of the better performing office markets in terms of occupier demand. The consistency of positive net absorption in the Perth office market has been underpinned by expansionary activity in the resource, government and professional service sectors and is in stark contrast to the larger East Coast office markets.

Vacancy rates have continued to decline and remain at their lowest level since 2015, as the market benefits from both strong demand fundamentals and limited supply. The constrained supply and increased demand have led to growth in net effective rents as both face rents increase and incentives tighten. As expansionary and centralisation activities in the Perth CBD continues, we aim to take advantage of the forecast rental growth through successfully leasing our remaining vacancy.

Strong leasing momentum

We are extremely pleased with our recent leasing achievements across the GDI portfolio as we capitalise on the Perth office market conditions. At Westralia Square, the Minister of Works signed a new 1,833sqm approximately 11-year lease for all of level 6. In addition, the Minister of Works extended the existing leases over levels 1 - 5 and 7 – 9 from a July 2028 expiry to now expire at the same time as the new level 6 lease. Together, this gives the Minister of Works all of the lower-level lift bank at Westralia Square, encompassing 16,347sqm, until March 2034. To facilitate the Minister of Works lease on level 6, GDI also executed a lease surrender with Euroz Hartleys and is itself relocating to approximately 150sqm suite on level 1 at WS2, with the balance of that floor under heads of agreement.

Two additional tenants, Leica Geosystems Pty Limited (Hexagon) and Infosys Technologies Limited signed five-year leases for a combined 2,919sqm for level 16 and the majority of level 17, resulting in Westralia Square having occupancy of 98% (up from 91.5% at 30 June 2023) with only 700sqm of vacancy, and a weighted average lease expiry of 8.2 years.

At WS2, GDI signed a new lease with Navitas Pty Limited for all of level 9 (approximately 866sqm) for a six-year term commencing on 1 April 2024. GDI also has signed three Heads of Agreements with tenants to lease all of levels 5,6 and 11, and the majority of level 1 (with GDI taking the balance). The recent activity brings the weighted average lease expiry of WS2, including Heads of Agreement, to 8.6 years, and committed occupancy to 82%, with levels 8 and 10 being the only vacancies.

We have had similar success at the Mill Green complex. Since 30 June 2023, at 197 St Georges Terrace, we have executed seven new leases or lease extensions representing 3,762.5sqm of space (being approximately 40% of our targeted letting goal of approximately 9,000sqm), the largest being Cygnet West's renewal of 1,235.6qsm (previously 1,645sqm) for 6.25 years, Paladin Energy Limited for all of level 11 (832.7sqm) on a 7-year term and Insight Enterprises Australia Pty Limited for all of level 8 (835sqm) for 4 years.

Co-living JV

In March and April 2023 GDI signed transaction documents to enter a Joint Venture to own, operate and syndicate Co-living mining accommodation (Co-living JV). GDI made a \$33.0 million investment into the Co-living JV with the intention that once the Co-living JV has sufficient scale and diversity, the real estate assets will be syndicated, and the initial invested capital recycled.

The two Co-living accommodation facilities are performing well, particularly the South Hedland Lodge and the accompanying South Hedland Motel, which recorded earnings before interest, tax, depreciation and amortisation (EBITDA) of \$6.5 million for the 6-month period, significantly higher than forecasted at the time of purchase. Since purchasing the South Hedland assets, the accommodation, facilities, and food offerings have been improved, directly leading to higher overall occupancy and longer-term tenure for some of the rooms.

At Norseman, the village benefits from a long-term contract with Pantoro Limited (Pantoro), whereby Pantoro has effectively guaranteed usage of a minimum of 80% of the rooms, which at an 80% usage would equate to a term of approximately 6.25 years. The security of this contract means that the village operates on a lower margin than the South Hedland facility, with a six-month EBITDA of \$1.8 million, in line with our expectations.

GDI has recognised an aggregate share of net profit before tax from the Co-living JV of \$3.7 million, and net profit after tax of \$3.2 million for the half-year ended 31 December 2023.

The expertise of the Co-living JV's management team and our Joint Venture Partner has yielded strong initial results. We look forward to expanding the operations of the Co-living JV and are actively pursuing a number of potential acquisitions.

Principal Facility increase and extension

During the half-year ended 31 December 2023, we executed a new Syndicated Facility agreement with two tier 1 financiers, extending the term and overall facility limit of GDI's Principal Facility. The Principal Facility now has a term maturity date of December 2026 (previously, July 2024) and an overall facility limit of \$376.5 million (previously, \$351.5 million).

The extension and increase of the Principal Facility delivers on GDI's stated strategic objectives of both diversifying its funding sources and putting in place through cycle funding. The \$25.0 million increase in the Principal Facility provides GDI with additional capacity to capitalise on the leasing momentum in the Perth market in general, and GDI's portfolio specifically.

Financial outcomes

NTA

We obtained independent valuations for all wholly owned properties, as well as the Autoleague portfolio of car dealerships and service centres (GDI No. 46 Office Trust), resulting in a small increase in the independent value of our portfolio compared to their prior independent valuations. Strong leasing outcomes at both Westralia Square and WS2 led to an \$8.0 million and \$4.0 million increase in their valuations, while higher rents / revenues at both the Autoleague portfolio and the Murray Street carpark led to increases in their value (\$4.0 million and \$0.4 million), notwithstanding a 0.40% and 0.75% expansion respectively in their market capitalisation rates. These gains were offset by decreases at Mill Green (\$4.2 million decline), where market capitalisation rates for 197 St Georges Terrace and 5 Mill Street expanded 0.25% to 7.25%, the Wellington Street carpark (a \$7.6 million decline in value partly a result of a 0.75% expansion in the capitalisation rate to 6.00%) and a small decrease at 180 Hay Street.

Although the value of the portfolio increased slightly, our NTA has decreased to \$1.20 per security, down from \$1.25 at 30 June 2023. The decrease is a result of slightly higher drawn debt (+\$17.0 million), and an increase in the number of securities on issue (+4.8 million) following the introduction of a distribution reinvestment plan, and part satisfaction of FY20 performance rights.

Funds From Operations and distribution per security

FFO³ per security was 2.452 cents, a slight decrease over the previous corresponding period of 2.643 cents. Improvements in the contributions from Westralia Square and the full period contribution from the Co-living JV did not fully offset the lower contributions from Mill Green, and a higher interest expense. The distribution for the period was 2.500 cents per security.

Gearing

GDI has a gearing ratio of 32%. Drawn debt on our Principal Facility⁴ is \$322.1 million, with undrawn debt of \$49.4 million for working capital purposes. GDI remains well within its Principal Facility covenants, with a Covenant Loan to Value ratio of 38% (Covenant of 50%) and a Covenant Interest Cover ratio of 2.0X (Covenant of 1.5X).

Guidance for FY24

We confirm that it is our intent to pay a cash distribution of no less than 5.00 cents per security for FY24, subject to no material change in circumstances or unforeseen events, noting that 2.50 cents per security has been declared for the first half. As with FY23, we would expect that a proportion of any cash distribution for FY24 will be paid out of capital. The recent leasing successes at our portfolio point to much higher property FFO on a like for like basis in FY25.

GDI remains relentlessly focused on its leasing efforts in Perth to maximise the value of its current assets in both the Property and Funds Management Business.



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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.

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