
ASX ANNOUNCEMENT

9 November 2023

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 Group¹.

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Authorised for release by David Williams, Company Secretary

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

It is a busy time at GDI!

We are positioning the company to take advantage of the opportunities ahead and as part of these changes a renewal process of executive management and the board is underway. Earlier this calendar year, we confirmed Stephen Burns as the new CEO and Managing Director of GDI. Stephen and his team are doing a terrific job reinvigorating GDI and the Board is delighted with the progress to date.

Stephen has rejigged the management team and refocused everyone on Perth where we have a deliberate overweight position in our predominately office portfolio. The Perth office market has experienced eight consecutive quarters of positive absorption, and with minimal near-term supply and elevated levels of enquiry, we remain confident that the Perth market will continue to perform. During FY23 and the period to August 2023, we successfully leased, renewed or signed heads of agreement for approximately 30% of our Perth office portfolio. This leasing momentum is continuing, and Stephen Burns will provide an update in his presentation.

Progress in refinancing our loans to take us through the cycle, together with the considerable amount of leasing signed, means the business is in great shape going forward.

COVID proved to be a catalyst for trends underway in the future of work. One of the most obvious changes in business is the way companies with dispersed workforces are using office space, exacerbated by the Work-From-Home movement, and the consequent demand for workplace flexibility. However we believe the office will continue to be an important part of business life. The office provides an organisation with the ability to foster its own identity and culture; promote innovation and productivity improvements through staff collaboration; on-the-job and tacit learnings for junior employees from their more experienced colleagues; marks the boundary between work and home; and enhances the social aspect of work.

However, we acknowledge that some of the office markets do face structural issues as a result of the COVID lockdowns and resultant need for staff to work from home. As one of the worlds most locked down cities, Melbourne workers had to adapt to working from home and many now have very well-established home offices. This, coupled with longer commute times means that Melbourne businesses are finding it harder to encourage their staff back to the office, with the Property Council of Australia last reporting CBD office attendance at 47% per week in February 2023. The Sydney CBD is facing similar issues as Melbourne, with its occupancy reported at 61% per week, with it noticeably quieter on Mondays and Fridays. This compares to Perth, which had the highest attendance of the Australia CBDs at 81% for the same period.

At the same time as Sydney and Melbourne are dealing with this structural issue, both markets are also facing near term supply issues and slowing serviced based economies. As interest rates rise and effective rents come under pressure, there is an inevitable impact on valuations. In the calendar year to date there has been very little transactional evidence to support valuations and we anticipate further weakening in valuations in the Sydney and Melbourne markets as the fundamentals in these markets deteriorate further.

To meet these challenges, GDI is sharpening its strategy to focus on smaller, more bespoke office buildings with a reduced environmental footprint in the style of our new building, WS2, Perth's first timber-hybrid office tower. We believe WS2 is a game-changer for the way office towers and other buildings are planned and constructed, and for tenants who are serious about environmental, social and governance (ESG) targets and obligations. Reducing embodied carbon, as well as operational carbon emissions, will grow as a key factor for the industry and tenants into the future, given company and government emission reduction targets.

WS2 is an approximately 9,500sqm premium office building constructed from a combination of steel and timber situated on the existing carpark at Westralia Square. This construction brings a step change approach to minimising embodied carbon across our portfolio, and importantly, in our built environment. The two primary areas of focus have been to firstly replace as much concrete as possible (in the new construction phase) with cross laminated

timber. Secondly, WS2 borrows structural support from an existing concrete carpark structure beneath it and spare thermal capacity from an adjoining office building (all owned and operated by GDI). These key factors, in combination, have driven an effective embodied carbon reduction of approximately 80% compared to the construction of an equivalent contemporary reinforced concrete building.

Once fully operational, WS2 is expected to generate significantly less emissions than a standalone building due to its high-performance thermal enclosure and sharing some of the services with the adjoining Westralia Square. We have received such positive feedback from the occupier market that we have leveraged our experience gained from WS2 and have a DA for a similar 35,000sqm office structure on 1 Mill Street, Perth and a DA for a 28,000sqm steel and timber office building on top of the Wellington Street carpark. Based on our real experiences from WS2 and our ongoing market assessment we believe that we are market leaders in the way we are viewing the opportunities for lightweight steel and timber construction and the consequential enormous reduction in embodied carbon.

Similarly another structural impact that we believe is yet to fully play out in the Australian market is the requirement to 'green' existing office buildings. Our core business has been buying well located CBD office buildings for below replacement cost that require a re-leasing and / or capital expenditure programme. We will invest into those buildings to reduce outgoings so we can consequentially substantiate more net rent, reduce Scope 1 and Scope 2 emissions, and enhance the buildings appeal to the occupier market. Most environmental standards used by the property sector measure the operational phase of a property's life. Existing properties have embodied carbon – the carbon created during their construction phase. This carbon can be up to 30% of a typical office property's carbon emissions over its lifecycle, and that does not include a demolition phase. By repurposing and repositioning existing buildings, we conserve the embodied carbon. As far as carbon conservation is concerned our historic asset strategy of continual improvement is demonstrably effective.

To take advantage of opportunities to invest in an alternative asset group, in April GDI entered into a Joint Venture with the Tulla Group to own, manage and syndicate 'co-living facilities' primarily focused on mining accommodation. 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. The Joint Venture group is working well and we are very pleased with the results to date.

The great disappointment is the poor share price. However the business is in great shape and with the excellent leasing results, future property income growth is assured. Thank you to you our security holders for your patience in a very difficult market.

I would like to thank every single member of the GDI team for their loyalty, commitment and effort over the past year. It has been a challenging year in many ways and everyone has performed their roles very well.

Finally, I'd like to thank my fellow board members, Giles Woodgate and John Tuxworth for their ongoing support and wise counsel and Stephen Burns for his leadership and commitment to GDI.

Thank you.

Managing Director & CEO's Presentation

Mr Stephen Burns



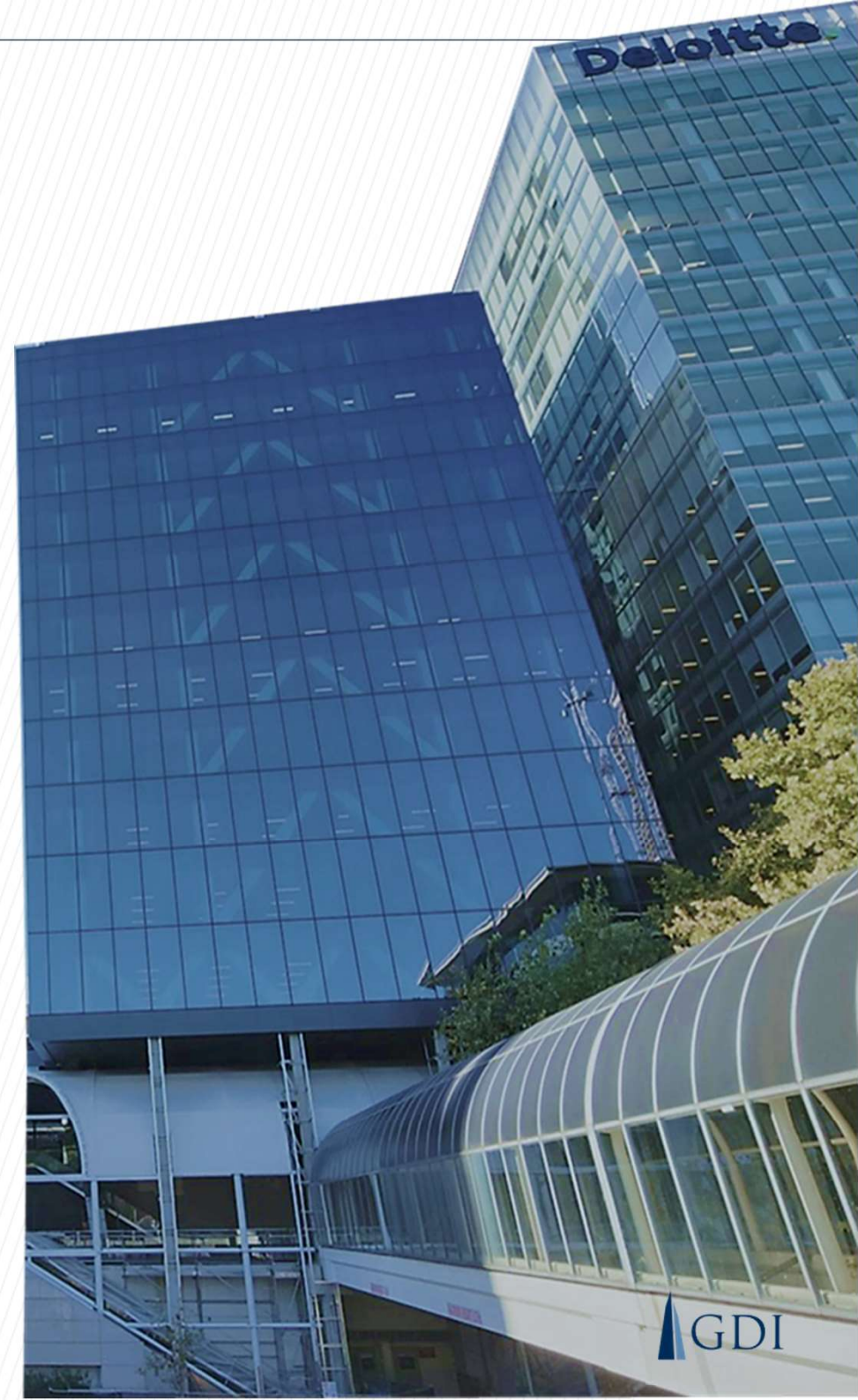
Reflecting on the year

- 2023 has been a year of change
- Change of senior management
- Strong recovery in Perth leasing market
 - > GDI leasing c. 30% of the portfolio in the eight months to August
 - > Completion of WS2 in line with budget notwithstanding Covid 19 and escalation in building costs
 - > Formation of the Co-living Joint Venture with Tulla Resources (Maloney family)



Subsequent to results in August

- Leasing momentum continues in Perth
- Obtained a DA for a re-use and timber building on the Wellington Street carpark site
- WS2 tracking well
- Co-living JV performing well at the operating level and we continue to monitor opportunities for growth
- Carparks are performing well
- Secured and announced the refinance of the GDI debt facility and introducing a second tier one bank



Focus on executing strategy

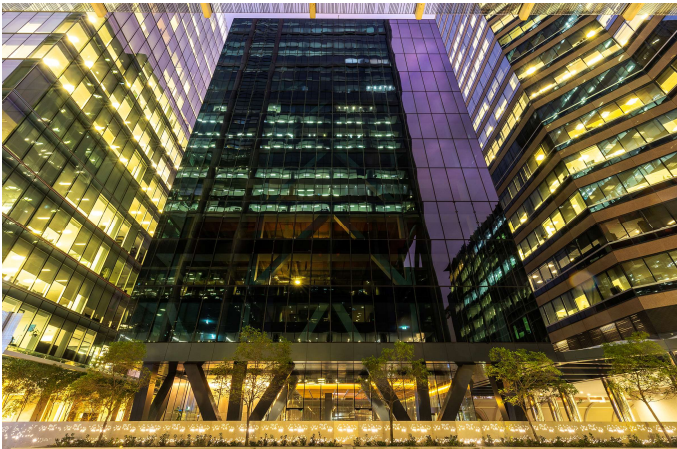
- Relentlessly focused on leasing efforts in Perth
- Recycling efforts are underway
- Senior management very focused on executing strategy with aligned goals and remuneration
- Distribution to be maintained at 5 cents for FY24 (December DRP will be switched off)
- Strong pick up in property income in 2024/25, flowing from recent leasing
- No intention of raising equity

Leasing momentum continues

- At August (FY23 results) we announced c. 30,000m² of leases, renewals and Heads of Agreement (HOA's) – included c. 7,800m² of HOA's
- Since August we have:
 - Converted c. 2,800m² of the HOA's to signed leases and very confident of converting the balance of c. 5,000m²
 - Signed new leases, new HOA's or lease extensions for an additional 4,600m²
- In addition, we are actively negotiating on over 30,000m², with multiple submissions (excludes any development related submissions)

By Property:

WS2



- At WS2, we have 3 floors left and one of those is under direct negotiation
- New tenants signing at WS2 include Savills and Navitas (whole floors)
- We are very pleased with our new boutique timber and steel building and remaining floors should lease well

WS1



- At WS1, only 700m² / part floor, level 17 remaining that is not subject to HOA

Leasing momentum continues

197 St Georges Terrace



- Our part floor fitout strategy is proving successful
- Multiple leases / HOA's / extensions accounting for c. 4,000m²
- Representing c. 40% of the target space to lease in the building
- Disciplined approach to managing capex spend to income generation
- Aggressively focussed on executing our leasing strategy

5 Mill Street



- Leases up very well and suits smaller space user
- 3 suites remaining (two office and one retail)

1 Adelaide Terrace (Syndicate #36)



- Top two floors vacant
- Very focussed on over 11,000m² of space for renewals, extensions and new tenants (under negotiation)

Leasing momentum continues



Key trends

Fitted out part floors leasing well (faster / better terms)

Notwithstanding, whole floor deals are being negotiated in WS1, WS2 and 197 St Georges Terrace

Tenants are seeking expansion space

Greater pressure on incentives to reduce, than increase

Shorter lease terms (3 years) not gaining same incentive as longer (+3 years)

ESG factors are important to tenants

Strategy to attract tenants with discipline is key

- Lower incentives for part floors
- Optimising lease term
- Capex aimed at income producing opportunities

Achieving strong rental outcomes in our core buildings because:

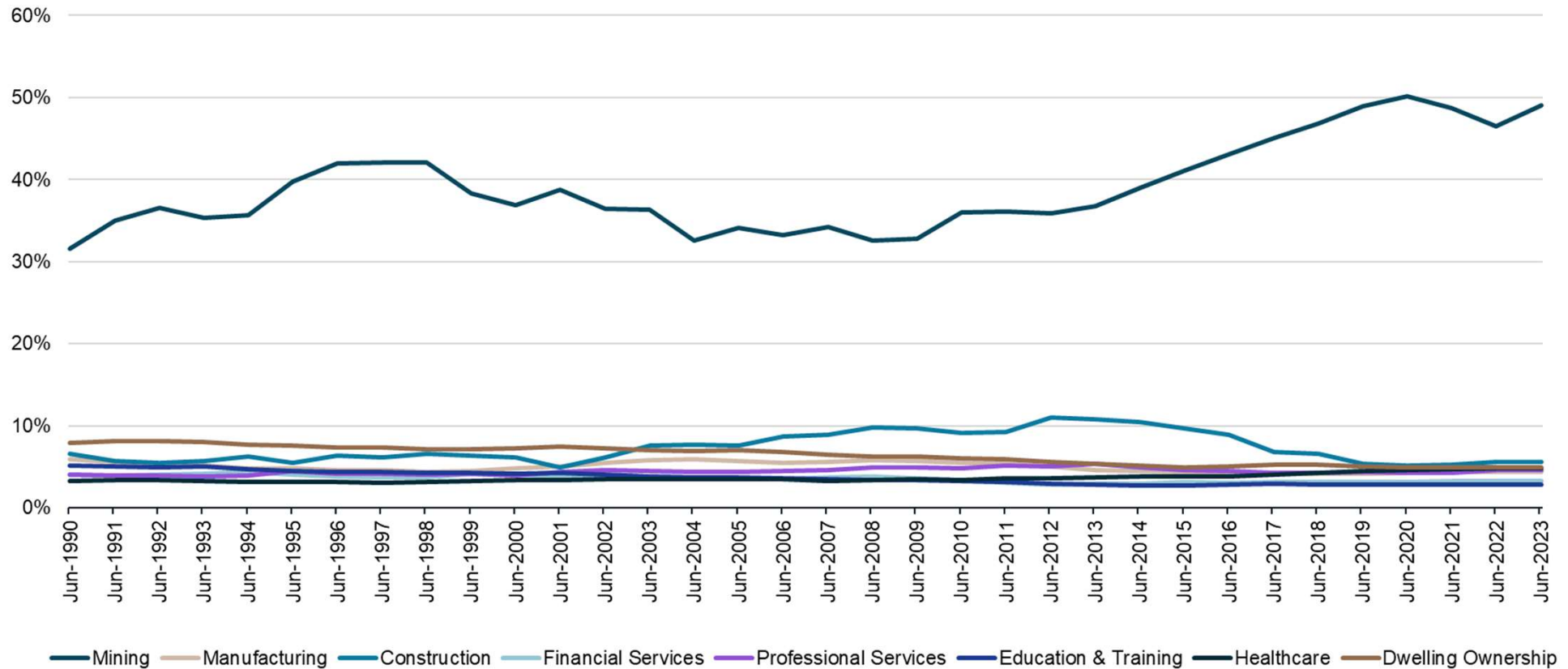
- We are prepared to adapt and move quickly
- Multiple touch points to optimise leasing efforts
- Integrated approach between fitout and tenant capex requirements
- Experience and have specialist Government expertise
- Disciplined approach to obtaining our return on capex
- Senior management KPI's are based on executing on strategy and leasing goals rank No. 1



WA: Common perceptions

Powered “only” by resources

WA Gross State Product (GSP) by industry



Source: JLL Research, ABS

WA: Common perceptions

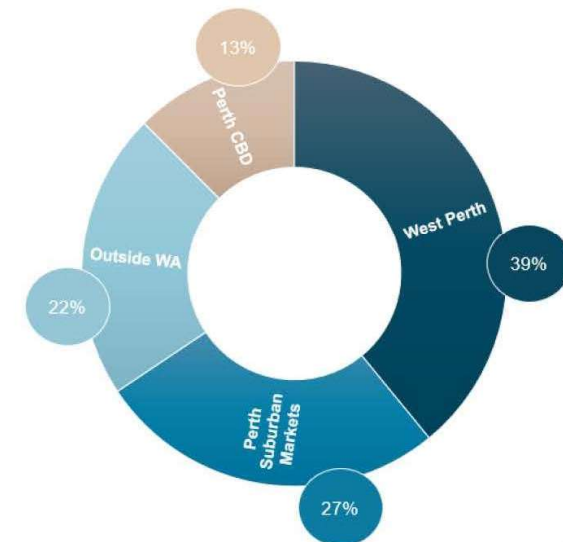
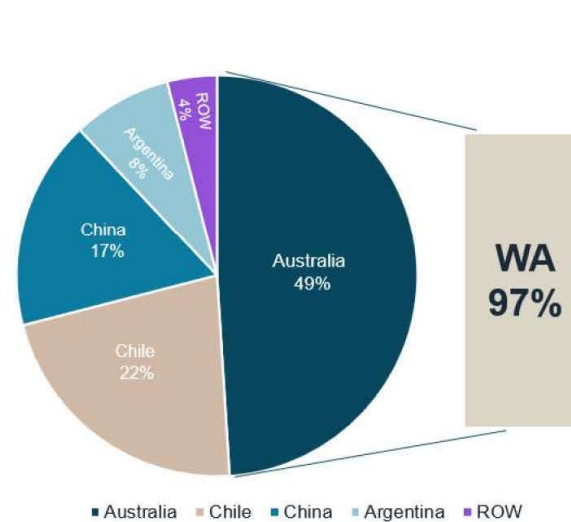
Powered “only” by resources

But.. With diversification within the resources sector

Commodities production – global ranking



Let's not forget that the electrification story will be written in WA



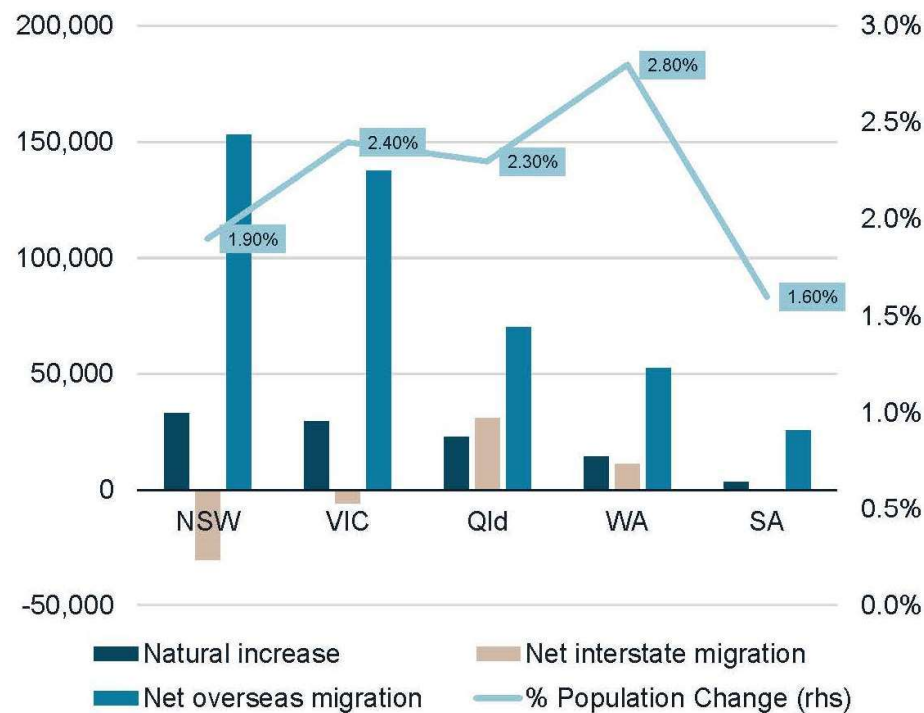
Source: JLL Research, DMIRS, ga.gov.au, wgeh.com.au, talisonlithium.com

WA: Common perceptions

Migrants prefer the East Coast

Migration – strongest in WA

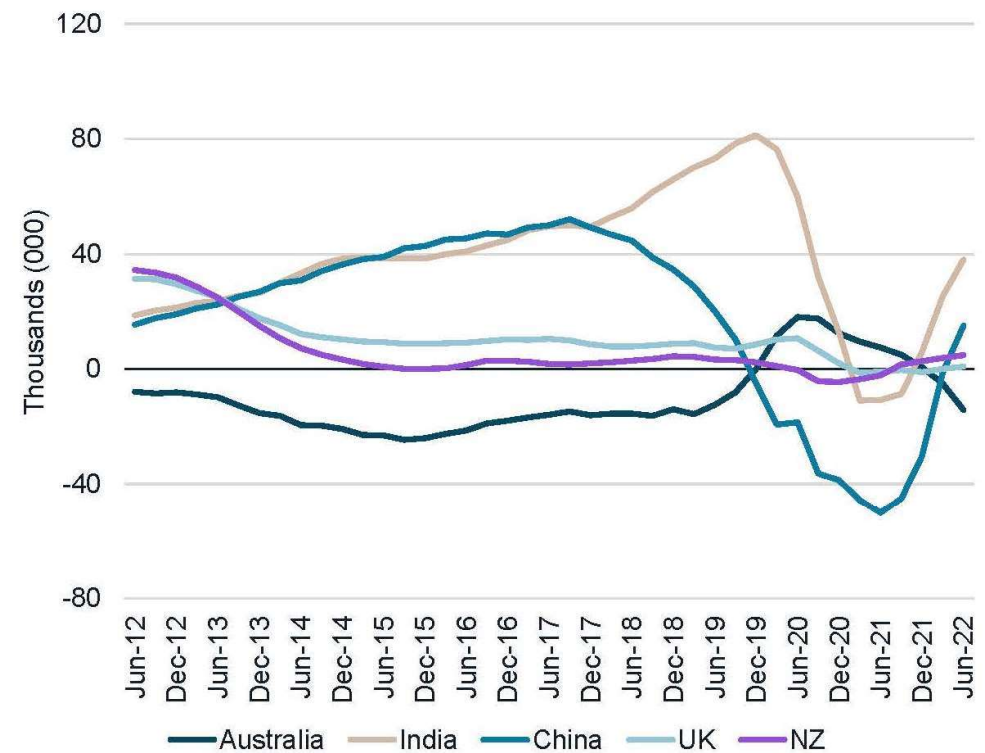
Population change – State by State



12 months to Mar-23

Source: JLL Research, ABS

Overseas migration by country of origin – Australia wide



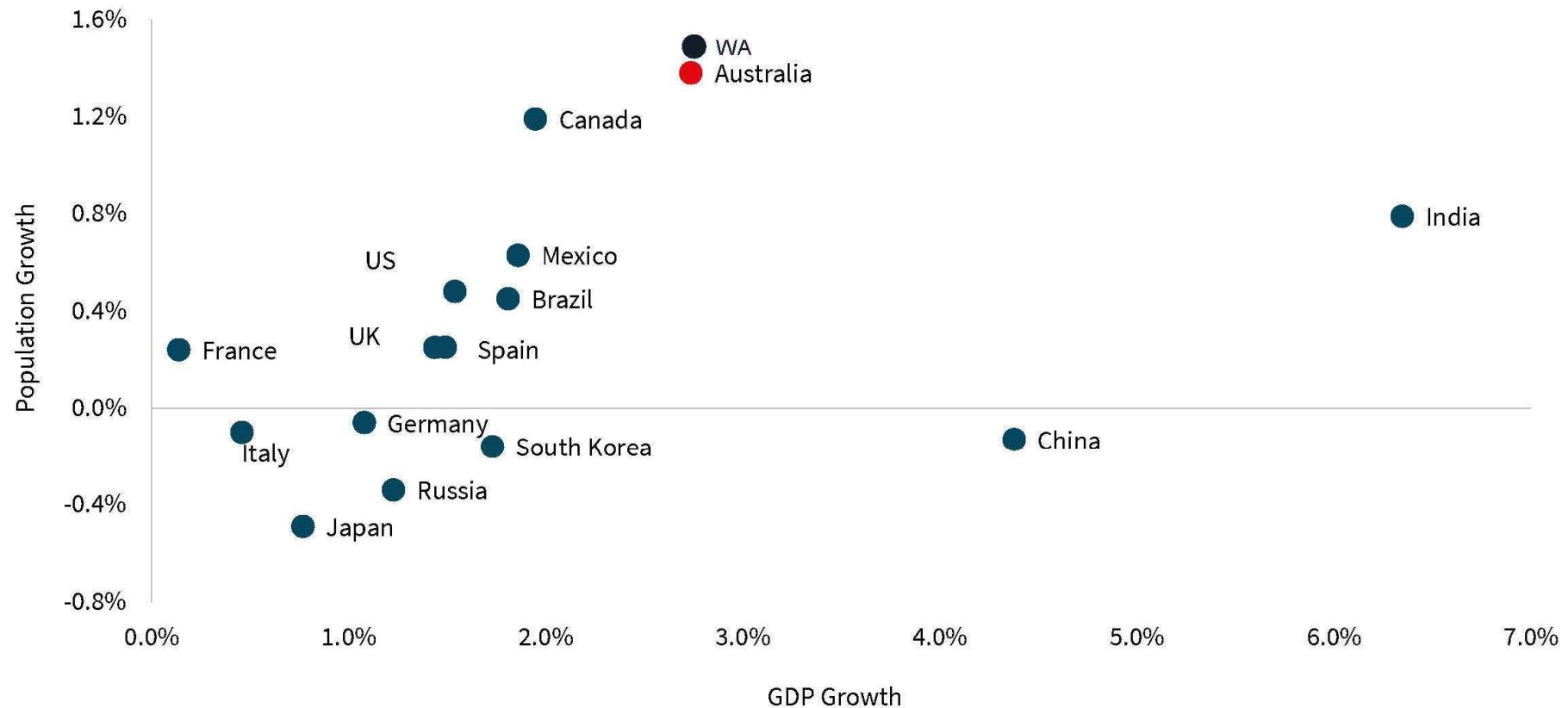
12 months to Jun-22

WA: Common perceptions

Migrants prefer the East Coast

Australia is expected to be more resilient

Major economies GDP & population, 2023 to 2032



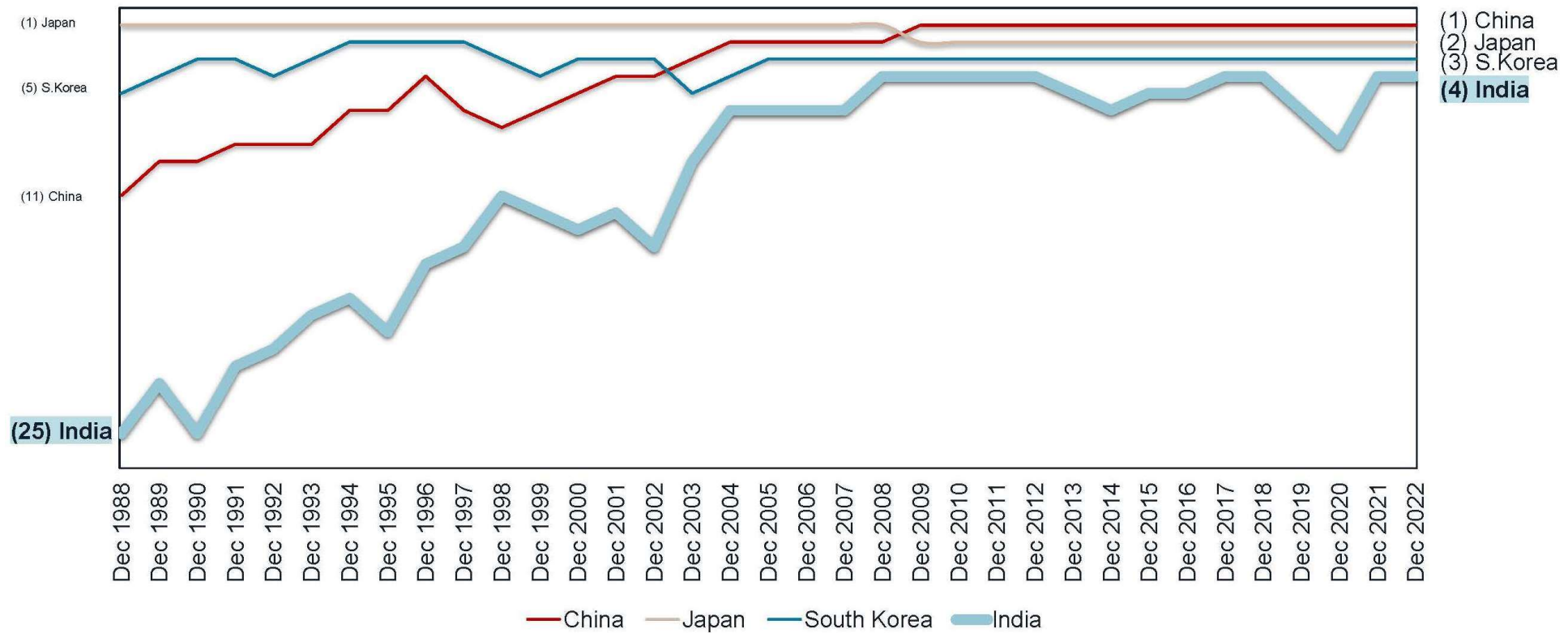
Source: Oxford Economics, JLL Research

WA: Common perceptions

Migrants prefer the East Coast

India will become a more relevant economy for us

Major Australian export markets by rank – 1988 to current



Source: JLL Research, Department of Education, Skills and Employment, ABS

WA: Common perceptions

A high vacancy market

Sydney Downsizers

CREDIT SUISSE 


Credit Corp Group


BANK

 BNP PARIBAS

SUNCORP 

Melbourne Downsizers



AustralianSuper 

Australian
Unity 
Real Wellbeing


QBE

Perth Downsizers

Large tenant moves > 1,000 sqm

Brisbane Downsizers

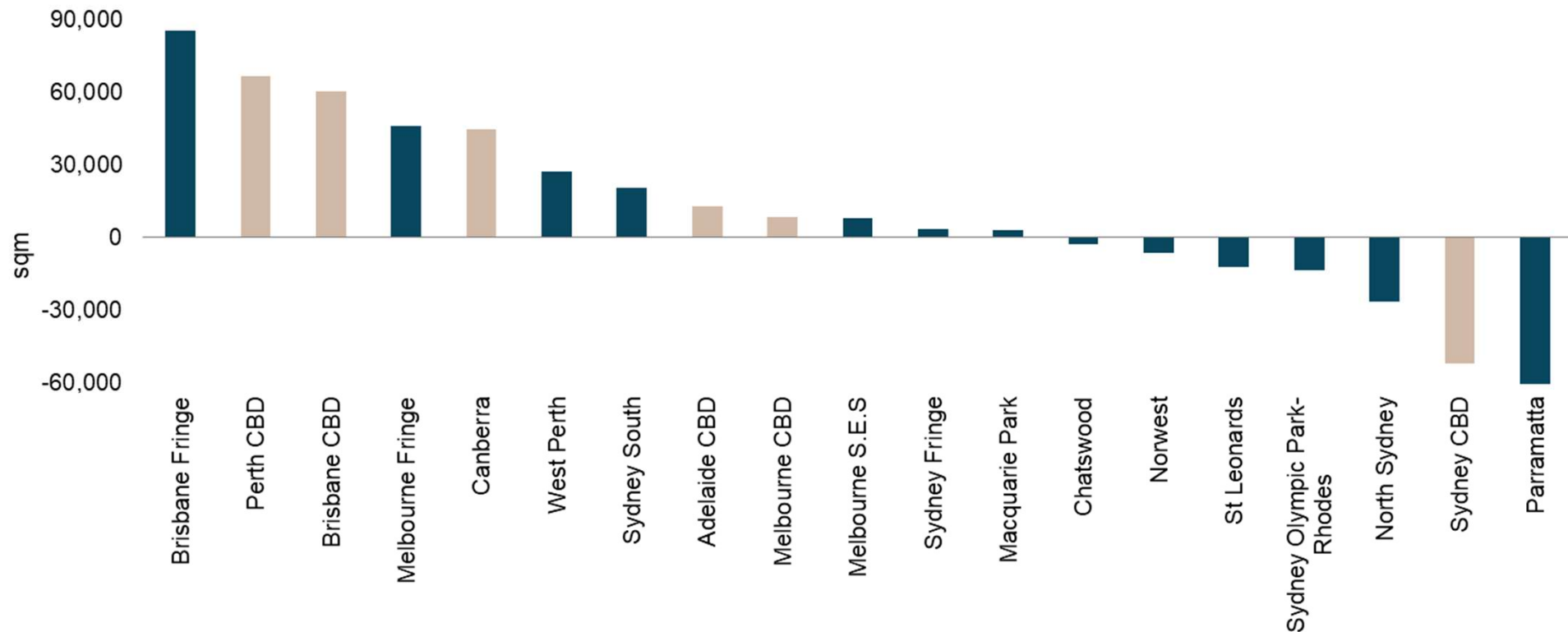
Source: JLL Research

WA: Common perceptions

A high vacancy market

Mixed conditions across Australia's office markets

Australia office markets net absorption, 12 month to September 2023



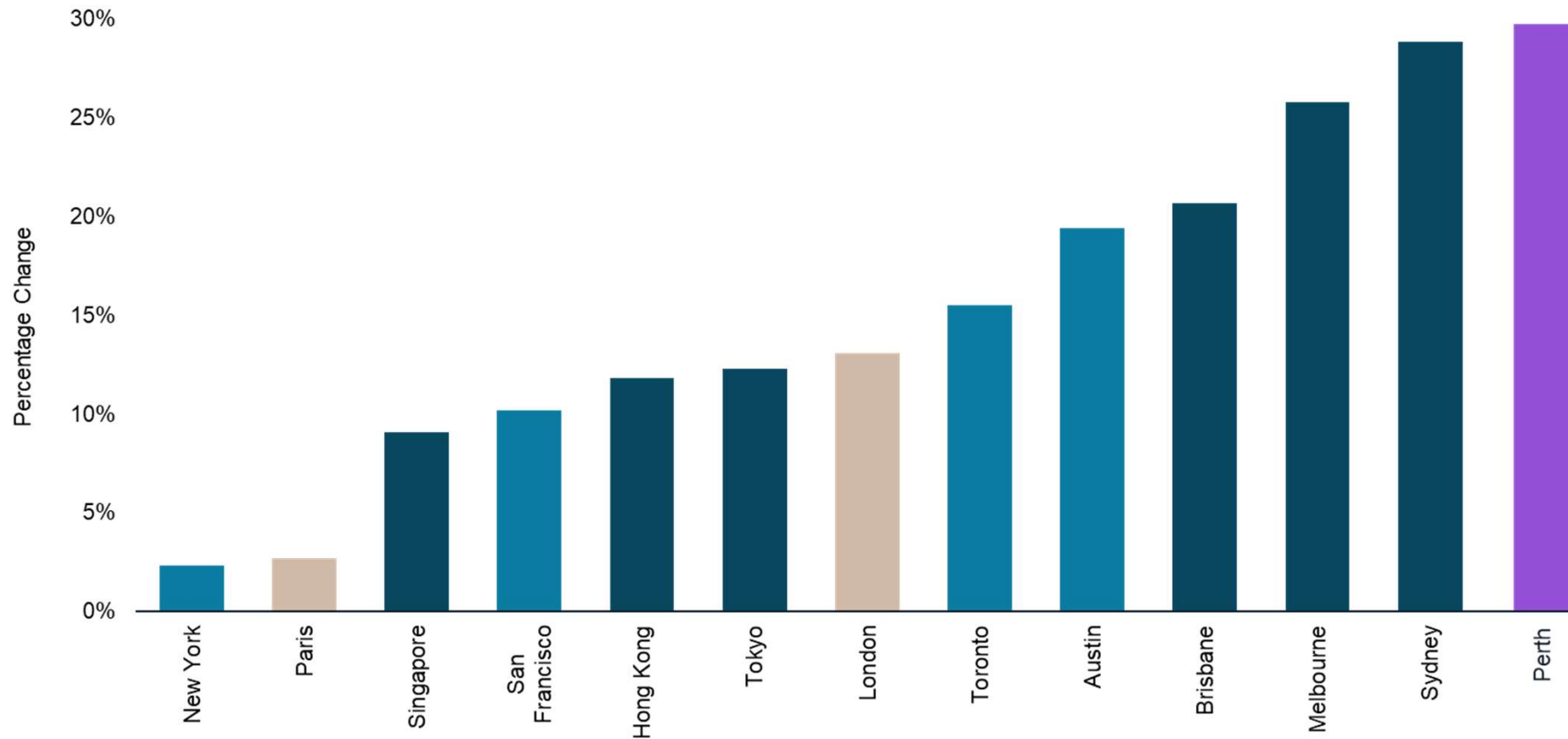
Source: JLL Research

WA: Common perceptions

A high vacancy market

WA is well positioned for long-term growth

Major cities office employment, 2022 to 2032

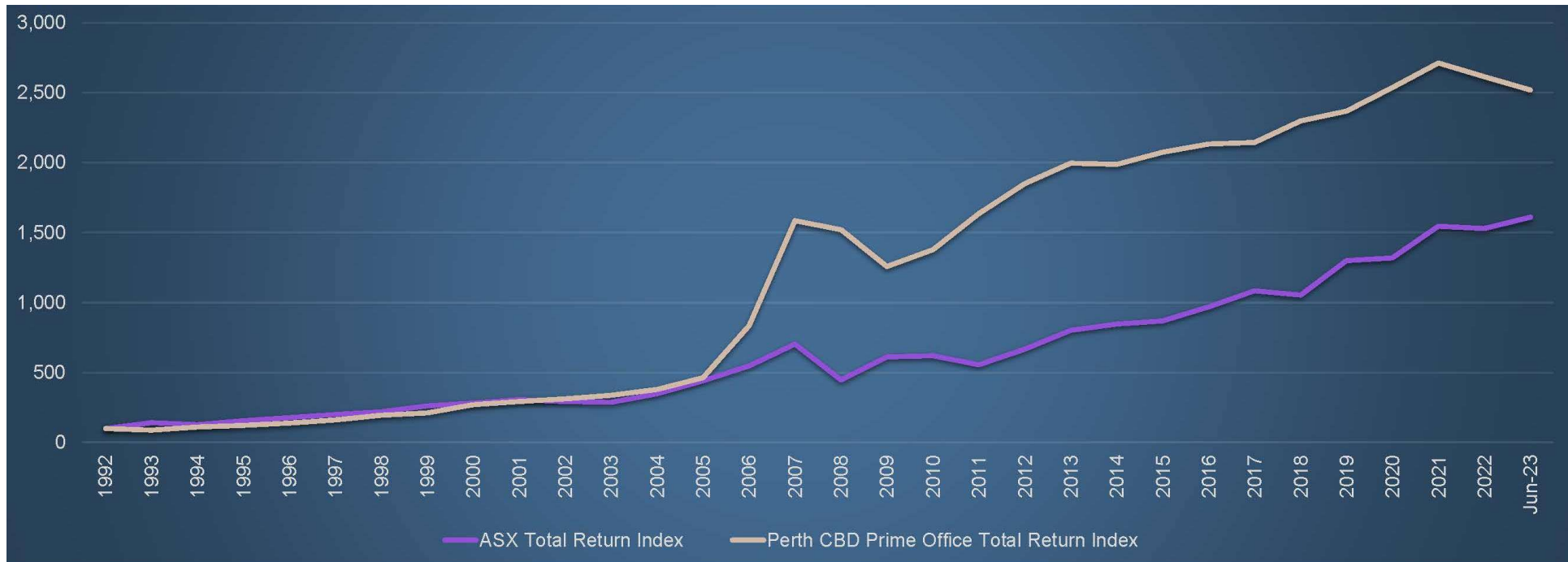


Source: Oxford Economics, JLL Research

WA: Common perceptions

Australian Equities vs Perth Office Property Returns

ASX Total Returns vs Perth CBD Office Prime Grade Total Returns



Source: JLL Research. Market Index

Business model

THE GDI VALUE PROPOSITION

DRIVEN BY

Proposition

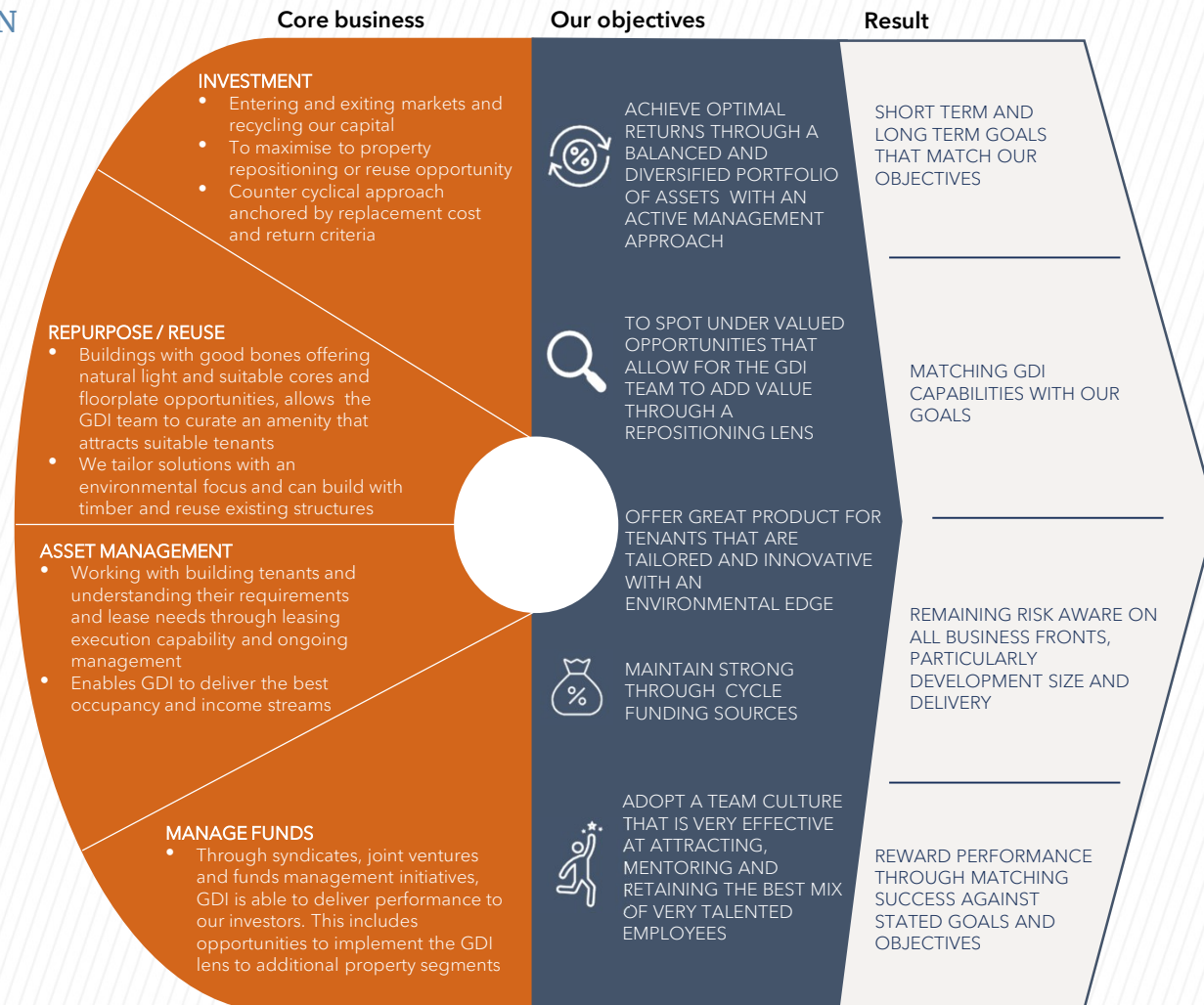
To be the best office building total return specialist, with a value driven approach to entering and exiting markets with agility and flexibility

Vision

We identify, acquire and repurpose or reuse buildings by curating tailored spaces for tenants that desire the best environmental low carbon offices

Point of difference

- Off market discovery / (stealthy)
- Below replacement cost and total return focus (value screens)
- Building, adapting, reusing (break-even rent advantage)
- Implementation of an integrated carbon reduction strategy (ESG lens)
- Integrating appropriate technology for tenants, property performance / management (management tools)
- Enticing and securing best tenants / whole of building criteria (optimisation)
- Selling when values are ripe and leasing strategies have been executed (timing)
- Avoid holding property for multiple capex and re-leasing cycles (returns)
- Agility, flexibility, quick decision capability (speed)



STRATEGY TO CREATE VALUE

Ensure the GDI skills and capability matches our ability to execute on our strategy. GDI must have an elite team to execute our goals and attract the best stakeholders.

Achieve a through cycle diversified funding structure, by managing appropriate debt levels and access to perpetual equity on the GDI balance sheet and partnering and managing capital.

Selectively recycle the portfolio to achieve a balanced and diversified grouping of chosen office assets with fundamentals that allow GDI to extract strong and growing income and capital value.

Execute on leasing across all parts of the GDI business.

Boutique mindset to funds management to make investors money across the spectrum. We need to speed up the velocity of our syndicates by returning capital and earning the right to issue new product.

Communicate clearly and regularly with all stakeholders and report on the execution of our stated strategy.

Selectively add to the Board and management proposition. Culturally as a whole, GDI must ensure it is enhancing the GDI point of difference and act with flexibility and agility and all the integrity and rigour of a leading company.

