



# GOODMAN DELIVERS POSITIVE QUARTER

## Q1 FY19 OPERATIONAL UPDATE

8 NOVEMBER 2018

**Goodman Group (Goodman or Group) delivered a positive operational performance for the quarter reflecting strong customer demand in urban locations around the world and tight supply in the markets it operates.**

**As customers continue to increase investment in refining their supply chains, the demand for high-quality industrial facilities in key urban centres continues to strengthen. Goodman is benefiting from strong structural and macro trends, due to the quality and location of its portfolio.**

*“Our customers across all industries are investing in the evolution of their supply chains. With more than US\$67 billion expected to be invested in robotics by 2025<sup>1</sup>, having high-quality industrial facilities, close to their customers, that are designed to house their investment in technology, is a key component of their strategy.*

*With the Group’s portfolio located where our customers want to be, we are seeing consistently high occupancy, increased rental growth, strong demand for new product and higher valuations in our markets.”*

– Greg Goodman, Group CEO

### KEY HIGHLIGHTS

for the three months to 30 September 2018

- + \$39.6 billion total assets under management
- + 3.3% like for like NPI growth
- + 98% occupancy across the Group and Partnerships
- + \$3.6 billion of development work in progress
- + \$0.9 billion of development commencements with 86% undertaken in Partnerships
- + Reaffirm forecast FY19 operating earnings per security of 50.0 cents, up 7% on FY18.

**\$39.6bn**



TOTAL ASSETS UNDER MANAGEMENT

**\$3.6bn**



DEVELOPMENT WORK IN PROGRESS

**98%**

OCCUPANCY

1. Boston Consulting Group

# OWN

The Group's strategy to invest and develop in quality locations in major urban centres has assisted our customers in improving their supply chain by investing in facilities close to their customers. It has resulted in sustained strong underlying demand driving rental growth and occupancy. The supply constraints in these markets is expected to deliver strong underlying fundamentals for future growth.

- + Leased 754,000 sqm across the platform over the quarter equating to \$106 million of rent p.a
- + Like-for-like NPI growth of 3.3%
- + Occupancy at 98%
- + WALE of 4.7 years
- + The portfolio concentration in infill markets is delivering higher occupancy and supporting higher rental growth.

**98%**  
OCCUPANCY



**0.8m**  
SQUARE METRES  
LEASED



**4.7** years  
WALE

## LEASING<sup>1</sup> - 12 months rolling

Region	Leasing area (sqm)	Net annual rent (\$M)	Average lease term (years)
Australia / New Zealand	1,116,658	160.7	4.8
Asia	1,294,696	195.7	3.6
UK / Continental Europe	899,789	65.2	4.0
<b>Total</b>	<b>3,311,142</b>	<b>421.6</b>	<b>4.1</b>



Goodman Business Park, Tokyo, Japan

# DEVELOP

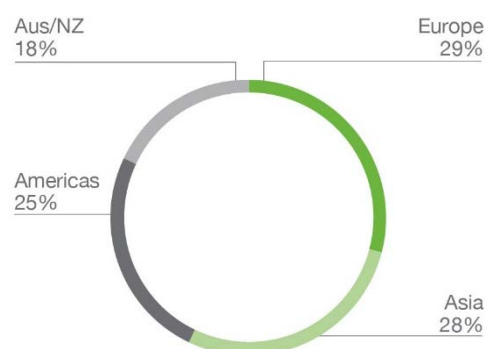
Demand for prime industrial space is having a positive impact on our development workbook as we deliver highly sought global warehousing solutions across multiple markets. Scarcity of sites in infill areas and growing competition from other uses is driving intensification of existing properties into multi-storey and higher value assets. This continues to be a theme across our portfolio.

- + Development WIP of \$3.6 billion across 75 projects with a forecast yield on cost of 7.0%
- + Continued capital partnering of development projects with 77% of WIP now undertaken within Partnerships
- + Development commencements of \$0.9 billion with 72% pre-committed and 86% developed for Partnerships or third parties
- + Development completions of \$1.0 billion with 67% pre-committed and 76% developed for Partnerships or third parties.

Development WIP



Work in progress as at 30 September 2018



Q1 FY19 Developments	Completions	Commencements	Work in progress
Value (\$b)	1.0	0.9	3.6
Area (m sqm)	0.7	0.6	2.1
Yield (%)	7.8	6.9	7.0
Pre-committed (%)	67	72	66
Weighted Average Lease Term (years)	7.5	11.9	9.5
Development for Third Parties or Partnerships (%)	76	86	77
Australia / New Zealand (%) of WIP	30	27	18
Asia (%) of WIP	14	22	28
Americas (%) of WIP	6	29	25
Europe (%) of WIP	50	22	29

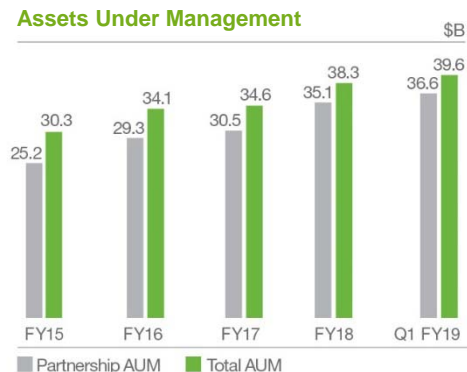
Work in progress by region	On balance sheet end value \$m	Partnerships end value \$m	Total end value \$m	Partnerships % of total	Pre committed % of total
Australia / New Zealand	29	616	645	96	68
Asia	38	955	993	96	38
Americas	-	902	902	100	74
Europe	747	316	1,063	30	83
<b>Total</b>	<b>814</b>	<b>2,789</b>	<b>3,603</b>	<b>77</b>	<b>66</b>

# MANAGE

Strong performance from the Partnerships continued with growth in assets under management in the period. Strong underlying rental growth and lack of quality assets available in the market, combined with investment demand, is putting downward pressure on cap rates. With sustained valuation momentum, the completion of the asset rotation program and the Partnerships transitioning to net investment mainly through development, AUM growth should continue to be robust.

- + AUM in Partnerships of \$36.6 billion
  - strong revaluation gains
  - development completions and net acquisitions
  - exchange rates
- + Partnership performance driven by underlying property fundamentals, supporting ongoing performance fees
- + AUM expected to grow through net investment from the development pipeline and valuation growth.

Assets Under Management



Total AUM by geography



	GAIP	GHKLP	GEP	GAP	GCLP	GMT	GNAP	GJCP	GUKP
<b>Total assets</b>	\$7.1bn	\$6.4bn	\$5.6bn	\$3.8bn	\$3.5bn	\$2.5bn	\$2.5bn	\$2.3bn	\$0.3bn
<b>GMG co-investment</b>	27.9%	20.0%	20.4%	19.9%	20.0%	21.2%	55.0%	17.3%	33.3%
<b>GMG co-investment</b>	\$1.3bn	\$1.0bn	\$0.7bn	\$0.7bn	\$0.5bn	\$0.4bn	\$1.3bn	\$0.2bn	\$0.1bn

<b>Number of properties</b>	96	11	113	33	33	12	10	12	3
<b>Occupancy<sup>1</sup></b>	96%	99%	97%	99%	99%	98%	92%	100%	100%
<b>Weighted average lease expiry<sup>1</sup></b>	5.0 years	2.9 years	4.8 years	4.2 years	3.6 years	5.5 years <sup>2</sup>	8.2 years	3.2 years	10.1 years

**\$36.6bn**

EXTERNAL ASSETS UNDER MANAGEMENT

**77%**

DEVELOPMENT IN PARTNERSHIPS



**349**

PROPERTIES IN PARTNERSHIPS



1. Occupancy and WALE of stabilised portfolio  
2. WALE includes leased developments

# OUTLOOK

Our industry continues to see significant change with our customers, including e-commerce, traditional retail and 3PL's, re-evaluating supply chains and investing in their facilities for the long-term.

However, not all locations will see this transition and consequently our global footprint has continued to evolve with our customers' needs to concentrate our assets in infill and urban locations. Our assets are in close proximity to consumers and retailers alike, helping expand relationships with customers across multiple global markets and helping our customers service their customers efficiently.

This growth in customer demand, combined with scarce availability of land in most of the markets in which we operate, and competition from alternate uses, is creating a strong environment for our business. It is manifesting in strong rental growth, occupancy and development volumes. The structural trends have attracted strong capital investment to the sector, and the underlying strength of the asset class in key locations is clearly evident. We believe this will sustain strong overall returns.

The Group has had a strong start to FY19 and it reaffirms forecast FY19 operating earnings per security of 50.0 cents, up 7% on FY18.

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## ABOUT GOODMAN

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist investment managers of industrial property and business space globally.




Goodman's global property expertise, integrated own+develop+manage customer service offering and significant investment management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

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