



# GDI PROPERTY GROUP

Half year results presentation

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# First half snapshot



NTA – \$1.28 per security

- \$0.03 increase from 30 June 2021
  - Valuation increases at Westralia Square (+\$20.2 million) and 180 Hay Street (+\$1.8 million)
  - Profit on sale of 50 Cavill Avenue (+\$7.8 million)



FFO of 2.845 cents per security

- Higher FFO than previous corresponding period notwithstanding the decreitive impact of the sale of 50 Cavill Avenue



Distribution of 3.875 cents per security

- Maintained distribution at prior year levels
- Intend to pay a further 3.875 cents per security for second half<sup>1</sup>

1. Subject to no material change in circumstances or unforeseen events and noting that we expect a proportion of any cash distribution for the second half will be paid out of capital.

# A great start to FY22 – Capital transactions

## 50 Cavill Ave, Surfers Paradise



- Purchased for \$48.8 million in February 2016
  - \$49.3 million after settlement adjustments, including acquisition costs
  - 54% occupied, no NABERS Energy rating
- Spent approximately \$18.4 million, including incentives
- Sold in August 2021 for \$113.5 million
  - \$109.0 million after settlement adjustments and selling costs
  - 97% occupied, 4.5 NABERS Energy rating

## Perth CBD Carparks



301 - 311 Wellington Street, Perth



409 Murray Street, Perth

- Purchased two CBD carparks with a combined 1,440 spaces for \$68.5 million in December 2021
- Purchased on an approximately 5% passing cash yield
  - Little ongoing capex or incentive requirements
  - Anticipate higher occupancy and revenues once Perth's CBD normalises following border reopenings and the inevitable Omicron wave
- Immediately identified some operational cost savings
- Significant component of the acquisition price is land value
  - Preparing development schemes for Wellington Street for anticipated market briefs during FY22

# A great start to FY22 - WS2

## Vision



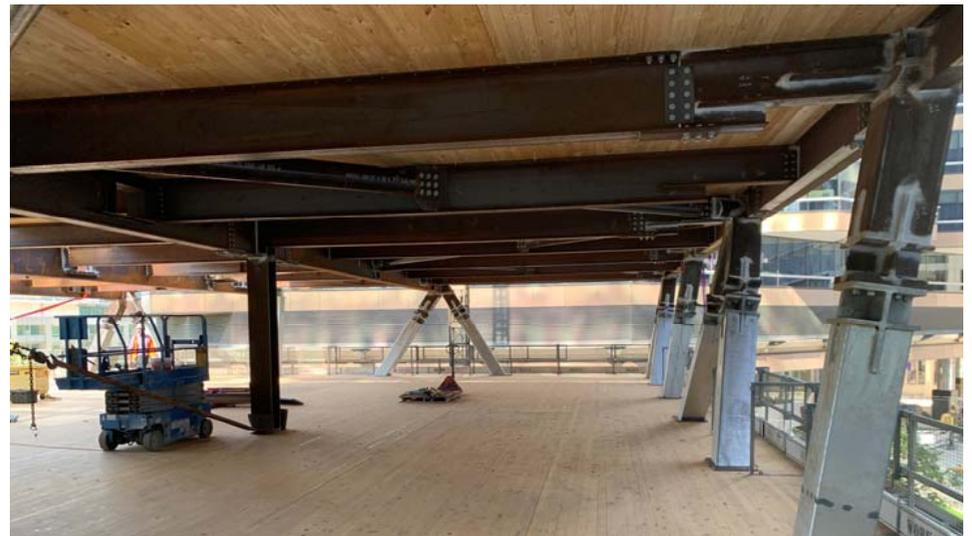
WS2 Architectural drawings only

- Perth's most environmentally friendly premium grade office building
- Approximately 9,500sqm of NLA constructed from a combination of steel and timber
- Total costs of \$63.0 million includes approximately \$10.0 million of precinct works to re-position Westralia Square to premium grade status
- Expected to complete in second half of CY22

## Progress

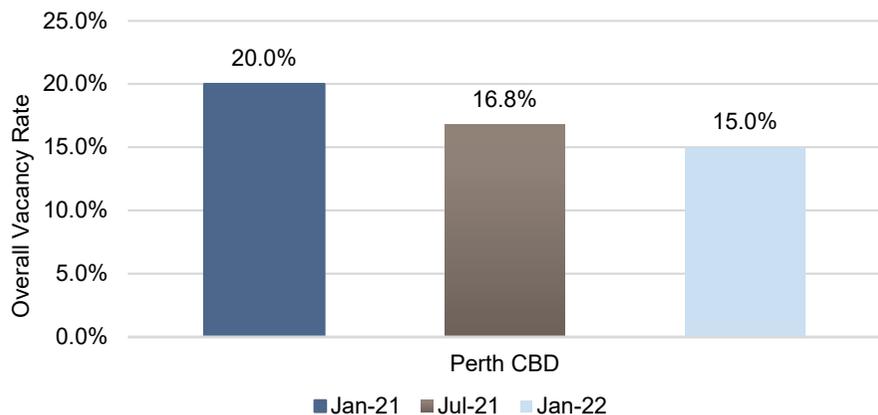


- Executed a fixed price contract prior to the significant cost escalations
- Notwithstanding some supply issues, remains on time and budget



# Perth market ready to take off

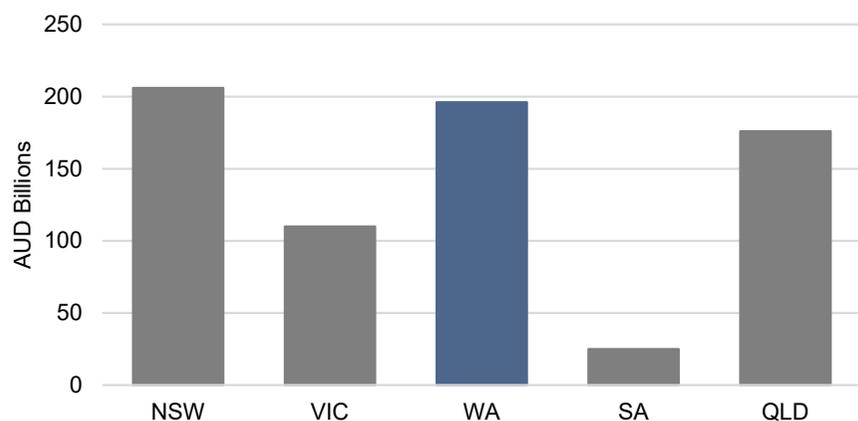
## CBD Vacancy Now at 7 Year Low



Source: PCA, JLL

- “Real vacancy” is 11% when considering unlettable buildings

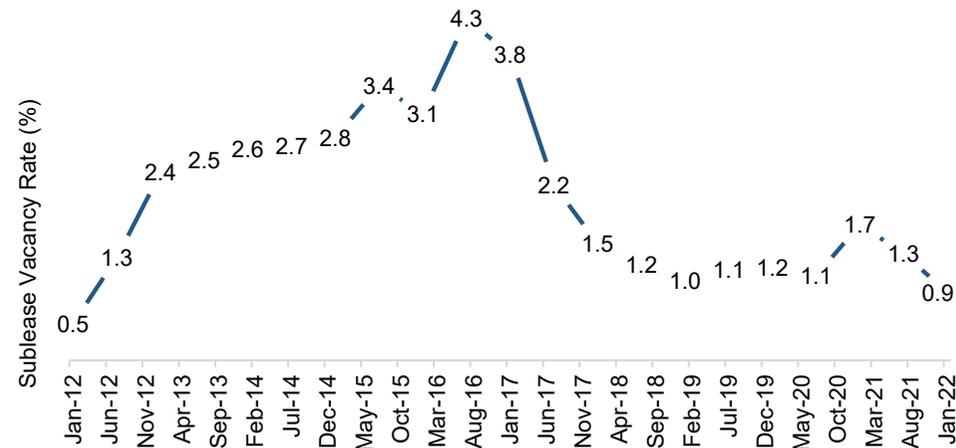
## Infrastructure Projects Pipeline by State



Source: JLL

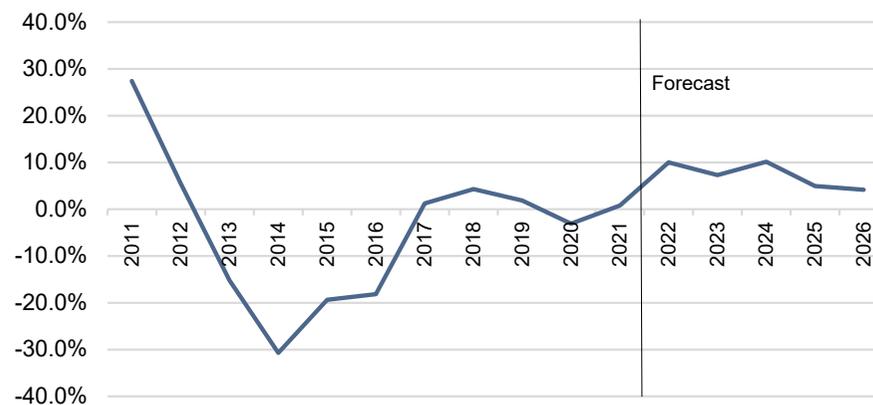
- Total infrastructure spending will continue underwrite demand

## Sublease Vacancy at 10 Year Low



Source: PCA, DAE, JLL

## Prime Net Effective Rental Growth



Source: JLL

- Which leads to high forecast effective rental growth

# GDI is able to capture the rebound

## During the period



- WAPOL leased level 7 taking total leased NLA in the property to 14,514sqm and increased the term of its entire lease by 2.5 years to 31 July 2028
- Bennett + Co executed a lease for level 13 (now referred to as level 14) for 10 years commencing 1 August 2022



- Delayed leasing campaign until prospective tenants can visualise the product, floor plate and views
- Initial dialogue with market extremely promising
  - High appeal for its location, grade and environmental credentials
  - Early-stage negotiations with two prospective tenants for a combined three floors



- Two new heads of agreement including one for all of level 23, which was only vacated by Jacobs in November 2021
- Lease renewals and extensions for another two whole floors



- Completed the refurbishment of the lobby and level 4 and construction of the new end of trip facility
- The product now presents exceptionally well to the market
- Ongoing discussions with three tenants for between one floor and the whole building

## Still to do

- Only 5 floors remaining to be leased
  - Based on current enquiry and demand, expect to be fully committed by end of CY22<sup>1</sup>
- 
- Based on current levels of enquiry and demand, we anticipate it will be well over 50% committed by the end of CY22<sup>1</sup>
- 
- One mid level floor and three upper floors being repositioned for market
  - Negotiating with Wood Group (AMEC) about terms of its make-good on lease expiry in July 2022, but likely to include some level of at least part extension
  - Confident that most of this current or impending vacancy will be dealt with by end FY23<sup>1</sup>
- 
- Progressing with the refurbishment works for levels 1 - 3
  - Noticeable pick-up in enquiry levels for East Perth CBD means we are hopeful of a successful leasing outcome during CY22

1. Subject to no material change in circumstances or unforeseen events



## FINANCIAL RESULTS



# Contributors to FFO and AFFO

	Dec 21 \$'000	Dec 20 \$'000
Property Division FFO	17,734	16,253
Funds Management FFO	3,503	3,651
Other	17	79
<b>Total</b>	<b>21,254</b>	<b>19,983</b>
Less:		
Net interest expense	(1,478)	(1,840)
Corporate and administration expenses	(4,602)	(4,047)
Other	202	157
<b>Total FFO</b>	<b>15,376</b>	<b>14,252</b>
Maintenance capex	(891)	(397)
Incentives and leasing fees paid	(2,837)	(5,562)
Income tax expense / (benefit)	(188)	(157)
<b>Total AFFO</b>	<b>11,460</b>	<b>8,137</b>

- FFO higher than previous corresponding period notwithstanding the dilutive impact of the sale of 50 Cavill Avenue
  - Both Westralia Square and Mill Green benefited from higher average occupancy than in the previous corresponding period
  - Westralia Square's contribution to FFO will continue to grow as occupancy increases, with a six-month contribution of \$5.6 million vs a fully let contribution of +\$12.5 million and prior corresponding period of \$4.0 million
  - Mill Green contributed \$11.2 million in FFO vs \$8.9 million in the prior corresponding period
  - FFO from the two months ownership of 50 Cavill Avenue of \$1.2 million, vs \$3.5 million in the previous corresponding period
- Funds Management FFO slightly lower due to lower distributions from GDI No. 42 Office Trust
- Net interest expense was slightly lower due to the lower average drawn debt following the sale of 50 Cavill Avenue.
- Corporate and administration expenses higher due to some one-off items (consultants, new employee costs) and some cost increases (insurance)
  - Corporate and administration expenses includes a \$500,000 accrual for FY22 bonuses

# Balance sheet remains in a strong position

Pro forma for post balance sheet events		Dec-21 \$'000	Jun-21 \$'000
<b>Current assets</b>			
Cash and cash equivalents		6,134	11,188
Non-current assets held for sale		1,240	102,491
Other assets		17,046	10,586
<b>Total current assets</b>	GDI No. 42 Office Trust (Stanley Place) \$51.50 million GDI No. 46 Property Trust (IDOM Portfolio) \$105.85 million	<b>24,421</b>	<b>124,265</b>
<b>Non-current assets</b>			
Investment properties		958,921	852,087
Other non-current assets		5,737	1,974
Derivative financial instruments		663	-
Intangible assets		18,110	18,110
<b>Total non-current assets</b>		<b>983,431</b>	<b>872,171</b>
<b>Total assets</b>	GDI No. 42 Office Trust	<b>1,007,852</b>	<b>996,435</b>
<b>Current liabilities</b>			
Borrowings		9,992	-
Trade and other payables		25,899	25,628
Other current liabilities		986	714
<b>Total current liabilities</b>	Includes GDI No. 46 Property Trust (\$30.0 million)	<b>36,878</b>	<b>26,342</b>
<b>Non-current liabilities</b>			
Borrowings		195,920	208,557
Derivative financial instruments		-	2
Other non-current liabilities		637	831
<b>Total non-current liabilities</b>		<b>196,556</b>	<b>209,390</b>
<b>Total liabilities</b>		<b>233,434</b>	<b>235,732</b>
<b>Net assets</b>		<b>774,418</b>	<b>760,703</b>
<b>Equity</b>			
Equity attributed to holders of stapled securities	GDI No. 42 Office Trust and GDI No. 46 Property Trust External Investors	710,024	696,556
Equity attributable to external non-controlling interest		64,394	64,147
<b>Total equity</b>		<b>774,418</b>	<b>760,703</b>

# Debt profile and interest rate hedging

- During the period, the Principal Facility was amended and extended twice, initially on settlement of 50 Cavill Avenue and the execution of the WS2 building contract (Tranche E), and subsequently to facilitate the acquisition of the carparks (Tranche F).
  - As at 31 December 2021, drawn debt on the Principal Facility of \$166.7 million and undrawn debt of \$146.3 million
  - Principal Facility extended to June 2024
- Board hedging policy gives management flexibility around hedging, particularly when drawn debt is <\$100.0 million
- GDI currently has two swap contracts:
  - \$25.0 million 5-year swap expiring May 2025 (0.60%)
  - \$25.0 million 3-year swap expiring May 2023 (0.38%)
- Drawn debt of GDI No. 42 Office Trust and GDI No. 46 Property Trust remains unhedged

			30 June 2020		
Principal Facility	Secured	Maturity Date	Facility \$'000	Utilised \$'000	Unutilised \$'000
Tranche C (working capital)	Yes	June 2024	159,437	88,871	70,566
Tranche E (WS2)	Yes	June 2024	85,000	9,281	75,719
Tranche F (Carparks)	Yes	June 2024	68,500	68,500	-
Tranche D (BG)	Yes	June 2024	5,563	-	-
<b>Total Principal Facility</b>			<b>318,500</b>	<b>166,652</b>	<b>146,285</b>
<b>Consolidated unlisted funds</b>					
GDI No. 42 Office Trust	Yes	July 2022	11,500	10,000	1,500
GDI No. 46 Property Trust	Yes	February 2023	30,000	30,000	-
<b>Total consolidated unlisted funds</b>			<b>41,500</b>	<b>40,000</b>	<b>1,500</b>
<b>TOTAL DEBT</b>			<b>360,000</b>	<b>206,652</b>	<b>147,785</b>



## PROPERTY PORTFOLIO

# Portfolio overview



	Westralia Square, Perth (WS1)	WS2, Perth	197 St Georges Terrace, Perth	5 Mill Street, Perth
Valuation date	31 December 2021		31 December 2020	31 December 2020
Valuation	\$385.0 million (WS1 + WS2 land) <sup>3</sup>		\$230.00 million	\$56.00 million
Carrying value	\$385.0 million (WS1 + WS2 land) <sup>3</sup>		\$228.06 million	\$56.90 million
Capitalisation rate	6.00%		6.75%	7.00%
Discount rate	6.50%		7.00%	7.25%
NLA (sqm)	32,598		26,216	7,148
Occupancy <sup>1</sup> (of NLA)	72%		84%	83%
WALE <sup>2</sup>	6.87 years / 4.97 years		2.27 years / 1.82 years	2.80 years / 2.34 years
Major tenants (sqm / expiry)	WAPOL (14,514sqm, FY29)		AMEC (7,341sqm, FY23)	Knightcorp (1,044sqm, FY25)

1. As at 22 February 2021 and including heads of agreement

2. By occupied NLA / By Total NLA

3. The Westralia Square revaluation includes approximately \$12.5 million of costs spent to date at WS2 which are carried elsewhere in the balance sheet and therefore are not included in the carrying value of Westralia Square.

# Portfolio overview



	1 Mill Street, Perth	180 Hay Street, Perth	IDOM Portfolio, Perth	235 Stanley Place, Townsville
Valuation Date	31 December 2020	31 December 2021	31 December 2020	31 December 2020
Valuation	\$40.00 million	\$18.40 million	\$105.85 million	\$51.5 million
Carrying Value	\$40.00 million	\$18.40 million	\$105.92 million	\$51.69 million
Capitalisation Rate	7.75%	8.00%	7.24% <sup>3</sup>	8.00%
Discount Rate	7.50%	8.75%	7.50% <sup>3</sup>	8.00%
NLA (sqm)	6,649	4,925	N/A	13,786
Occupancy <sup>1</sup> (of NLA)	0%	0%	100%	59%
WALE <sup>2</sup>	N/A	N/A	8.92 years / 8.92 years	4.03 years / 2.39 years
Major Tenants	N/A	N/A	Buick Holdings Pty Limited <sup>4</sup>	DHS (5,460sqm, FY27, FY24)

1. As at 22 February 2021 and including heads of agreement.

2. By occupied NLA / By Total NLA

3. Weighted average.

4. 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.



# FUNDS MANAGEMENT



# Funds Management business

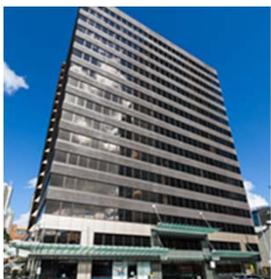


## GDI No. 29 Office Trust

- Originally a two-asset fund, now only holding 10 remaining strata suites in 251 Adelaide Terrace
- 102 of the 112 strata suites sold with investors receiving \$1.30 in capital back in addition to income distributions
- Looking for short term leasing of the remaining 10 suites as the Perth strata market reawakens

## Fund summary

- Established – June 2008
- Capitalisation rate – N/A
- Gearing ratio – N/A
- Unit value – Withdrawn
- Major tenants - Vacant



## GDI No. 33 Brisbane CBD Office Trust

- Bought 10 Market Street, Brisbane in 2010 and decided to strata it in 2012
- Approximately 50% of NLA sold or in process of being sold
- Reduced debt to \$2.69m or 11% LVR following the sale of the medical centre for \$1.675m in January 2022. In advanced discussions with the bank to extend the debt facility by another 12 months
- Signs of improvement in the Brisbane strata market, anticipate an acceleration of sales at improved pricing levels

## Fund summary

- Established – 30 June 2010
- Capitalisation rate – N/A
- Gearing ratio – 16.10%
- Unit value – \$0.73 per unit
- Major tenants – Coughlins Accountants, Burger Digital



## GDI No. 36 Perth CBD Office Trust

- Owns the iconic 1 Adelaide Terrace, Perth
- Investors had been receiving +10% distribution yield on their initial investment with units valued at \$1.11
- Further expansion of Lycopodium with a new lease commencing 1 March 2022 for 1,345.30sqm. Lycopodium now occupies 37% of the building.
- Executed heads of agreement with another tenant for 710.50sqm
- Levels 6 and 7 vacancy creates an opportunity to add value by releasing and extending the WALE

## Fund summary

- Established – 30 September 2012
- Capitalisation rate – 7.25%
- Gearing ratio – 47.00%
- Unit value – \$1.11 per unit
- Major tenants – Lycopodium Minerals, Minister for Works



## GDI No. 38 Diversified Property Trust

- Originally a seven-asset portfolio purchased from UGL on a sale and leaseback basis with five of those assets now sold
- Investors have received \$0.63 of their initial capital and are currently receiving +18% p.a. distribution yield on their remaining \$0.37 of initial capital
- Significant upside in Broadmeadow site on an alternative use basis. A comprehensive masterplan for the site, developed in consultation with local and state planning authorities, has been well received. The zoning review process by the planning authorities is ongoing.
- Discussions with UGL to expand its facility at Bassendean presenting an opportunity to reset the lease on favourable terms to GDI

## Fund summary

- Established – 30 June 2014
  - Capitalisation rate – 7.00%\*\*
  - Gearing ratio – 31.25%
  - Unit value – \$0.765 per unit
  - Major tenant – UGL
- \*\* both properties

# Funds Management business



## GDI No. 42 Office Trust

- Originally a two-asset fund with similar asset management plans
- Now only holding 235 Stanley Street, Townsville
- Immediately leased the Department of Social Services vacancy (729sqm) on Level 4 to another Government agency with lease commencing 1 July 2021
- Opportunity to add significant value on releasing vacancy on high floors
- Base building refurbishment of former ATO tenancies underway with Level 13 (now complete) being marketed to prospective tenants as a show floor
- GDI holds an ownership interest of 43.68%



## GDI No. 43 Property Trust

- Owns 6 Sunray Drive, Innaloo, home to Perth's only IKEA store
- IKEA's lease expires in February 2023, with IKEA having 3 x 5-year options
- Annual CPI (Perth) rent reviews, with market reviews at expiry and at each option date
- Rent reviewed in February 2022 by 5.7% following a 20year high CPI reading
- Strategically located site between Sterling Station and Westfield Innaloo
- Potentially significant upside on an alternate use basis



## GDI No. 46 Property Trust

- Owns 17 Perth metropolitan properties occupied by high profile car dealerships and service centres
- Long WALE of over 8.5 years, with the opportunity to add value through land amalgamations, capex and alternate uses (STCA)
- GDI holds an ownership interest of 47.19%

## Fund summary

- Established – 16 June 2016
- Capitalisation rate – 8.00%
- Gearing ratio – 19.42%
- Unit value – \$0.63 per unit
- Major tenants – Commonwealth of Australia, National Disability Insurance Scheme

## Fund summary

- Established – 10 January 2018
- Capitalisation rate – 6.00%
- Gearing ratio – 38.00%
- Unit value – \$1.01 per unit
- Major tenants – IKEA, Kathmandu

## Fund summary

- Established – 01 February 2020
- Capitalisation rate – 7.25%
- Gearing ratio – 28.34%
- Unit value – \$1.00 per unit
- Major tenant – Buick Holdings (part owned by IDOM Automotive Group, a wholly owned subsidiary of IDOM Inc.)



# APPENDIX

# Profit or Loss

	GDI		Trust	
	Dec 21 \$'000	Dec 20 \$'000	Dec 21 \$'000	Dec 20 \$'000
<b>Revenue from ordinary activities</b>				
Property income	27,444	24,606	27,547	24,709
Funds management income	1,416	1,322	-	-
Interest revenue	59	53	58	49
Other income	-	56	-	18
<b>Total revenue from ordinary activities</b>	<b>28,919</b>	<b>26,037</b>	<b>27,605</b>	<b>24,776</b>
Net fair value gain/(loss) on interest rate swaps	666	(121)	666	(121)
Net fair value gain/(loss) on investment property	22,263	2,318	22,263	2,318
Profit on sale of investment property	7,834	-	7,834	-
<b>Total income</b>	<b>59,683</b>	<b>28,234</b>	<b>58,368</b>	<b>26,973</b>
<b>Expenses</b>				
Property expenses	9,234	10,356	9,234	10,356
Finance costs	2,335	2,689	2,347	2,698
Corporate and administration expenses	4,602	4,047	2,524	2,221
Acquisition expenses	3,598	823	3,597	797
<b>Total expenses</b>	<b>19,770</b>	<b>17,915</b>	<b>17,703</b>	<b>16,072</b>
<b>Profit before tax</b>	<b>39,913</b>	<b>10,319</b>	<b>40,666</b>	<b>10,902</b>
Income tax benefit/(expense)	188	157	-	-
<b>Net profit from continuing operations</b>	<b>40,101</b>	<b>10,476</b>	<b>40,666</b>	<b>10,902</b>
Other comprehensive income	14	-	14	-
<b>Total comprehensive income for the period</b>	<b>40,115</b>	<b>10,476</b>	<b>40,680</b>	<b>10,902</b>
<b>Total comprehensive income attributable to:</b>				
Company shareholders	(564)	(426)	-	-
Trust unitholders	38,438	6,236	38,438	6,236
Total comprehensive income attributable to ordinary securityholders	37,874	5,811	38,438	6,236
External non-controlling interests	2,241	4,665	2,241	4,665
<b>Total comprehensive income for the period</b>	<b>40,115</b>	<b>10,476</b>	<b>40,680</b>	<b>10,902</b>

# NPAT to AFFO

	GDI	
	31 December 2021	31 December 2020
	\$'000	\$'000
Total comprehensive income for the period	40,115	10,476
Acquisition expenses and discontinued acquisition	3,598	823
Contribution resulting from consolidated trusts	(4,894)	(4,295)
Distributions / funds management fees received from consolidated trusts	2,087	2,190
Straight lining adjustments	503	497
Amortisation of incentives and leasing costs	4,398	6,410
Amortisation of loan establishment costs and depreciation	333	348
Net fair value gain on investment property	(22,263)	(2,318)
Net fair value (gain) / loss on interest rate swaps	(666)	121
Profit on sale of investment property	(7,834)	-
<b>Funds From Operations</b>	<b>15,376</b>	<b>14,252</b>

# Property by property information

Property	Dec 21		Dec 20		Dec 21		
	\$m		\$m		\$m		
	IFRS NPI <sup>2</sup>	FFO	IFRS NPI <sup>2</sup>	FFO	Capex spent	Maintenance capex spent	Incentives and lease costs
1 Mill Street					-	-	-
5 Mill Street					-	0.8	0.8
197 St Georges Terrace					-	-	0.9
Mill Green, Perth	8.1	11.2	6.2	8.9	-	0.8	1.7
Westralia Square, Perth	4.1	5.6	0.6	4.0	4.8	-	1.0
50 Cavill Avenue, Surfers Paradise	0.9	1.2	2.7	3.5			
180 Hay Street, Perth	(0.2)	(0.2)	(0.2)	(0.2)	0.5	-	-
Distributions from consolidated funds	-	1.7	-	1.8			
Funds Management fees	1.4	1.8	1.3	1.7			

1. "As is" is defined as contracted revenues only and does not include any new leasing or lease renewals and is subject to no material change in circumstances or unforeseen events.
2. IFRS NPI is the net property income of each asset prior to any revaluation adjustments.

