Annual General Meeting of Growthpoint Properties Australia Limited

Meeting of the unit holders of Growthpoint Properties Australia Trust

11:00 am**,** Level 42, 101 Collins Street, Melbourne, Vic 3000

Wednesday, 25 November 2015

CHAIRMAN'S ADDRESS

Welcome Welcome to the combined annual general meeting of Growthpoint Properties Australia Limited and the general meeting of Growthpoint Properties Australia Trust. I am your Chairman, Geoff Tomlinson.

Please note that today's proceedings are being webcast live for the benefit of securityholders not able to be present. A link to a recording of this webcast will be made available on Growthpoint's website approximately two hours after the close of today's meeting.

As we have a quorum for these meetings, I am pleased to declare the meetings officially open.

The notice of meetings was sent to all securityholders on 22 October 2015 and I propose to take it as read.

In addition to the securityholders present, I would like to welcome representatives from our auditors, Dean Waters and Rachel Scully of KPMG, and directors:

Introduce each director and company secretary

Unfortunately, Francois Marais is unable to visit Australia for this AGM so sends his apologies.

Finally, I would like to welcome Growthpoint's employees, several of whom are also present. Today.

The agenda for today is as follows:

1. A presentation on the business and its strategy by Managing Director Tim Collyer;
2. Presentation of the combined annual report for the company and the trust. I will call for questions and comments following the presentation of these

accounts. The company's auditors, KPMG, are in attendance to answer any questions securityholders may have in relation to the audit, the auditor's report, the accounting policies adopted and the independence of the auditor. Please address questions to me in the first instance and I will direct them as appropriate.

3. I will then explain the voting procedures and address each of the remaining items of business set out in the notice of meetings. Securityholders will have the opportunity to ask questions or make comments in relation to each item.

After the meeting, directors, management and KPMG will be available for discussions with individual securityholders over a light lunch to be served in this room.

Growthpoint Properties Australia has been in operation for over six years growing from a $650 million externally managed industrial trust with a market capitalisation below $300 million in mid-2009 to an internally managed group with $2.5 billion of office and industrial assets and a market capitalisation in excess of $1.8 billion. Our results speak for themselves including a 19.2% per annum total securityholder return for the five years ended 31 October 2015. The Group has been ably managed by Tim Collyer and a consistent executive management team since establishment and I wish to thank all employees as well as my fellow directors for their contribution to our success.

MANAGING DIRECTOR'S ADDRESS

Securityholders, ladies and gentlemen, I welcome you to the Growthpoint Properties Australia Annual General Meeting.

Today, I will provide an overview of the achievements of the 2015 financial year, a review of the property portfolio, a review of leasing and acquisition success post 30 June 2015 and comments on the outlook for the Group and its focus.

The 2015 financial year was an excellent year for the Group. Financial returns were high, the portfolio was improved, significant leasing achieved and our balance sheet remains in good condition. Strategic goals to obtain S&P/ASX index inclusion and a debt credit rating were also achieved.

Financial results

Growthpoint enjoyed strong growth in its distributable income, some 6% above the 2014 financial year. Distributable income was 21.2 cents per security, providing for a distribution to securityholders of 19.7 cents per security. The distribution paid was 3.7% higher than the prior year.

A highlight of the year was a 14.8% increase in the NTA per security to $2.48, substantially due to increases in the value of Growthpoint's property portfolio. The increase in property values is primarily a result of two factors. First, successful leasing within the portfolio adding a longer term rental cashflow and secondly, lower capitalisation rates payable in the market associated with strong demand for institutional grade investment property here in Australia.
In regard to capital management, Growthpoint was pleased to obtain an investment grade credit rating from Moody's in August 2014 and subsequently issue a $200 million fixed rate loan note for 10 years in March 2015. Our strategy is to issue more long term debt in the 2016 financial year.

At 30 June 2015, balance sheet gearing was at 37%to the lower end of the target range of 35% to 45%. Growthpoint's strategy has been to position itself to diversify its debt sources and extend the average duration of debt maturity whilst interest rates have been at historically low levels. At 30 June 2015 Growthpoint's average debt duration was 4.7 years with the first debt maturity in December 2017.

Growthpoint has delivered good returns for its securityholders over the medium term and we are particularly pleased that, in the 2015 financial year, both share market and balance sheet returns were particularly strong, as measured by total securityholder returns and return on equity, respectively. In FY2015, the total securityholder return was 36.4% and has been 21.3% per annum over a five year period. A 23.9% return on equity for FY2015 and 67.3% return over five years have been pleasing. Total security holder returns have benefitted by Growthpoint's inclusion into the S&P/ASX 200 index and MSCI Global Small Cap Index, improving investor appeal and liquidity of the Group's securities.

Growthpoint maintains a modern portfolio with quality tenants, long term leases and rising rents. The property portfolio, split evenly between office and industrial assets, is valued at $2.4 billion, has a weighted average lease expiry of 6.6

years, has a weighted average rent review of 3.0% per annum and is 97% occupied. The property is valued on a weighted average capitalisation rate of 7.3%, 0.6% lower than that of 30 June 2014. Given good prices paid for individual properties, and major property portfolios in Australia, as evidenced by the GIC/Fraser's $1.072 billion industrial portfolio and the $2.45 billion Investa office property portfolio sales, we believe the weighted average capitalisation rate is reasonably conservative.

The key themes coming from Slide 7 of the AGM presentation are the limited lease expiries in the short to medium term and the quality of the tenancy base of the property portfolio.

You will see that with a vacancy rate of 3%, no expiries in FY2016 and only 5% of rent expiring in FY2017, the rental cash flow of the Group is relatively secured. Whilst working on leasing existing vacancies, we also have time to secure the early re-letting of FY 2017 lease expiries.

Growthpoint's top ten tenants account for around 60% of portfolio rental income and include Woolworths, the NSW State Government, GE, Linfox and the Commonwealth Government. When leasing vacant space or purchasing a new property, Growthpoint concentrates on the quality of the tenant coming to the portfolio and their creditworthiness.

Growthpoint has been busy into FY 2016, announcing the acquisition of three properties for a total consideration of $92.0 million. Despite the competitive nature of the commercial real estate market in Australia, Growthpoint has continued to find opportunities for investment, improving and diversifying the property portfolio, whilst providing attractive risk adjusted returns for security holders.

The properties, diversified by sector, geography, lease term and tenant provide for a weighted average income yield of approximately 7.3%, a long term weighted average lease expiry (**"WALE"**) of 7.3 years and a rising rental income with a weighted average rent review of 3.39% per annum. Assets acquired feature quality tenants including Patrick Autocare, a subsidiary of Asciano, and BMW.

These acquisitions complement the existing portfolio, provide an attractive yield and have been funded by using some of Growthpoint's existing debt headroom.

Rental income is the primary source of revenue for the Group and we spend a large amount of time and effort securing leases with quality tenants. We have direct communication with all of our existing tenants and involve ourselves with all negotiations with new tenants to the portfolio when a vacancy arises.
Over 100,000 square metres has been leased within the portfolio since the start of FY2015, representing 9.7% of portfolio lettable area. We have also been busy since the start of FY2016, leasing 35,500 square metres with an average lease term of 7.3 years. Highlights of recent activity include a major lease extension to Jacobs over 8,207 square metres of office space at the South Brisbane SW1 office complex, almost 2,000 square metres at 333 Ann Street, Brisbane and a five year lease renewal to Orora Limited in Knoxfield, Victoria.

The Australian office market is improving with lower vacancy rates in key markets of Sydney and Melbourne. Other markets, which have exposure to the mining and resources sector, principally Brisbane and Perth will take longer to see their vacancy rate stabilise then fall. I thought it would be beneficial to highlight our exposure to the Brisbane CBD leasing market and highlight that we have no exposure to the Perth office market.

Of Growthpoint's investment in Queensland, $454 million is in the office sector and $245 million in the industrial property sector. Our office investment is in 3 properties;

1. The SW1 A-grade office complex in South Brisbane valued at approximately $270 million. The South Brisbane sub-market has a vacancy rate of only 6.0%. The complex we own enjoys high occupancy and a long WALE. We have enjoyed very good leasing success at the complex, extending major leases to large corporate tenants and introducing new tenants. Rents are far higher than when we purchased the complex in 2010-2011, and incentives are far lower than in the Brisbane CBD.

2. The Energex, Nundah property was purchased as a development fund through property in 2012 and was pre-leased to the Queensland State Government entities Energex and Powercorp. The WALE for this property is 11.0 years and the property enjoys 100% occupancy.

3. 333 Ann Street, Brisbane is valued at $91.0 million representing 3.8% of Growthpoint's portfolio value. With two major tenants leaving the property in June 2015, the property is around 50% leased. For the leased component, the weighted average lease term is an attractive 5.4 years. The Brisbane CBD is a difficult market with a vacancy rate of 15.0%, however, Growthpoint has been active in the market with its leasing campaign and has reflected the difficult leasing environment within its guidance forecast. We anticipate the building's vacancy of 8,000 m2 will be leased progressively over the next 12 months or so.

In summary, Growthpoint's exposure to Brisbane CBD leasing is not significant and we have a good track record in the Brisbane market. Achievement of our current distribution guidance as well as distribution growth in the future is not reliant on leasing 333 Ann Street vacancies quickly.

Property market

Tenancy demand

The Australian office market has a vacancy rate of approximately 10.4%, with positive net absorption being observed in key Melbourne and Sydney office markets reducing their vacancy rates. Stronger business demand and the withdrawal of older stock for residential redevelopment has been witnessed in these markets.

National industrial property market gross take-up for the 2015 calendar year is solid and is expected to be at or near the 10 year average. 2015 is expected to be the low point in the near term supply cycle.

Investment market and values

There has been record transaction volumes within the Australian commercial property market in 2015. Offshore investors have been dominant, attracted to high yields of Australia on a global comparison, the spread between yields and borrowing costs, the lower Australian dollar against a number of major currencies after significant recent depreciation, and of course our stable economy with moderate growth.

Several large property portfolios have sold at high prices and record yields.

Capital values have risen and it is expected that capitalisation rates will compress (relative to book value capitalisation rates) further with sales completed and those being transacted now.

Many researchers expect the stabilisation of yields into 2016 and this would be logical given a forecast rise in global long term interest rates.

A-REIT market

A-REITs offer an attractive risk adjusted yield with distribution growth. Inflation is low and the yields on offer for investors chasing income are attractive.
M&A activity has been significant in 2015 and this is expected to continue. Small to mid-sized IPOs will continue for good quality offerings.

We expect volatility to continue in equity markets, with the focus on the US Federal Reserve raising interest rates after 8 years, the strength of the Chinese economy and global security. A-REITs in this environment will remain an attractive option for investment.
Interest rates

The outlook for borrowers such as Growthpoint remains positive. The RBA has indicated the official cash rate will remain low for the period ahead and rates for borrowers are historically low. Longer dated swap rates and bond yield may rise slightly as the US Federal Reserve actually raises rate.

Returns and outlook

Growthpoint Properties Australia is well positioned with a stable income from a growing rental income stream. Our major office assets, such as SW1 in South Brisbane (valued at $270 million) and the NSW Police Headquarters in Parramatta (valued at $262 million) are located in strong office markets. Parramatta experienced a 13% growth in A Grade effective rents over the last 12 months, for example.

The industrial portfolio enjoys 100% occupancy and is a sought after asset class for investment.

We are pleased with new acquisitions which will contribute to growth of the Group.

Recent returns have been good with a compound return of 19.2% per annum over the 5 years to 31 October 2015 and 15.0% over the last year.

Our current FY 2016 distribution yield of 6.6% is attractive versus the A-REIT sector.

Our guidance for FY2016 of at least 21.3 cents per security for distributable income and a distribution of 20.5 cents per security, up 4.1% on the prior year, is reaffirmed.

Finally, I would like to thank Growthpoint’s securityholders, other stakeholders, the Board and employees for their continued support of the Group.

Thank you for your attendance today.