
ASX ANNOUNCEMENT

23 June 2014

GDI Property Group is pleased to announce it has exchanged contracts to acquire the iconic Civic Tower, 66 Goulburn St, Sydney for \$136 million¹. Civic Tower is an A grade property which is being acquired from two vendors who each hold a 50% interest in the property, with settlement of both purchases to occur on or around 15 July 2014, subject to satisfaction of customary conditions and execution of a deed of assignment by the head lessor.

Civic Tower is located on the north western corner of Goulburn and Castlereagh Streets, opposite major court buildings including the Downing Centre Courts, Family Law Court and John Madison Tower. The property comprises approximately 23,125 sqm of net lettable area over 24 levels of office space above the Masonic Centre podium plus a ground level lobby and retail area and has parking for 54 cars. It was constructed in 2004 by Grocon and was the first building in Australia to be fully supported on a central lift core. The property has a 5.5 star NABERS energy rating.

Commenting on the acquisition, Head of Property for GDI Property Group, Mr John Garland stated that Civic Tower was a typical GDI Property Group property. "Civic Tower has all the things we look for in an office building. It has four sides of natural light, easily divisible floor plates, is being acquired for considerably less than replacement cost and offers an opportunity to add significant value through leasing up existing vacant space and renewing or leasing FY2016 and FY2017 expiries. GDI Property Group is attracted to the mid-town precinct given all the proposed residential conversions will significantly reduce supply yet it remains an attractively priced option with excellent transport links for tenants."

Civic Tower is currently approximately 76% occupied (by NLA) with a weighted average lease expiry (WALE) of 1.8 years (by total NLA). Each vendor has agreed to provide GDI Property Group with a rental guarantee (\$3.0 million each, or \$6 million in total) from settlement of their respective half to essentially provide income support for this vacant space. GDI Property Group can draw on this rental guarantee to satisfy outgoings, market rent, incentives, leasing costs or any other costs relating to the property that it elects for a period of up to 60 months (5 years) from settlement. In the absence of any leasing of the vacant space, GDI Property Group intends to draw on this rental guarantee to cover market rents on that vacant space for a period of approximately 22.5 months, by which time the rental guarantee would be fully drawn.

Taking into account the rental guarantees and GDI Property Group's intended use of that guarantee, Civic Tower is 100%² occupied with a 2.2 year WALE².

Mr Steve Gillard, the Managing Director of GDI Property Group, stated that the current vacancy in the property provided the opportunity for GDI Property Group to relocate tenants from its existing property at 233 Castlereagh Street, Sydney which is being positioned for sale (as disclosed to ASX on 19 May 2014). "233 Castlereagh St, Sydney has approximately 20,000 sqm of net lettable area and we believe that Civic Tower offers an attractive accommodation alternative within the same precinct to our 233 Castlereagh St tenants." In addition, Mr Gillard stated that including the rental guarantee, the majority of the expiries occurred in FY16 and FY17. "The risk posed by these significant expiries is mitigated by the likelihood of there being a competitive leasing market for A grade properties in the Sydney CBD at that time".

GDI Property Group proposes to fund the acquisition through an increase in the limits of its existing facilities with Westpac Banking Corporation. Based on discussions with Westpac Banking Corporation, GDI Property Group is highly confident that it will obtain the increased limit to its facilities³.

Based on the net tangible asset backing as disclosed in the Prospectus and Product Disclosure Statement dated 25 November 2013 ("Offer Document"), GDI Property Group's Loan to Value ratio will increase to approximately 38%. However, as advised to the ASX on 19 May 2014, GDI Property Group intends to market 233 Castlereagh Street, Sydney for sale during FY2015, with part of the proceeds from the proposed sale used to reduce debt.

ENDS.

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¹ Note that what is being acquired is a long-term lease granted by Masonic Investments Limited for a term of 125 years, of which 102 years remain.

² By Net Lettable Area ("NLA")

³ Note, if that financing cannot be obtained there is a risk that GDI Property Group will forfeit the \$6.8 million deposit paid to the vendors.

66 Goulburn Street, Sydney NSW



Key metrics

Acquisition price	\$136 million
Price per sqm	\$5,868
Passing yield ⁽¹⁾⁽²⁾	8.3%
FY15 forecast Net Rental Income (excluding straight lining) ⁽²⁾	\$11.2 million
FY15 capital expenditure ⁽³⁾	\$400,000
NLA – Total (sqm)	23,176
NLA – Office (sqm)	22,897
NLA – Retail (sqm)	279
Typical floor area (sqm)	950
Car parking	54
Occupancy ⁽²⁾	100%
WALE by NLA ⁽²⁾	2.2 years
Date of construction	2004
NABERS Energy rating	5.5 stars

Top three tenants by NLA⁽⁴⁾

Tenant Name	NLA		Rent review		Lease Expiry
	Sqm	% total	Type	% p.a.	
Consolidated Media Holdings Limited	10,432.4	45%	Fixed	4%	FY17
William Buck Services (NSW) Pty Limited	1,950	8%	Fixed	4%	FY17
Prudential Investment Company of Australia Pty Limited	1,500	6%	Fixed	4%	FY18

Notes:

- (1) Excluding acquisition costs
- (2) Including the rental guarantee, assuming GDI Property Group draws the guarantee over 22.5 equal monthly instalments as income support
- (3) Estimated
- (4) Excluding the income support, but the NLA% is over total building NLA

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