



asx release+

---

## Goodman building toward US\$3 billion development pipeline in the US

---

Date 3 November 2015

Release Immediate

---

**Goodman Group (Goodman or Group) on the back of its Southern California property tour, advises that significant progress has been made on the roll-out of its development pipeline since its entry into the US industrial property market in June 2012. As a result, the Group is on track to achieve US\$3 billion in assets under management in the short to medium term with strong growth forecast. Goodman's US platform remains focused on the core logistics and industrial markets of Inland Empire, Greater Los Angeles, Northern New Jersey and Central Pennsylvania, and continues to execute its develop to hold strategy at this point in the property cycle.**

Through its investment partnership with Canada Pension Plan Investment Board, Goodman North America Partnership (GNAP), the Group has total committed equity of US\$2 billion, with a current development and investment pipeline of US\$1.7 billion. This will provide 15.1 million square feet of prime warehouse and logistics space across 12 sites. Including sites in various stages of acquisition, this pipeline is expected to exceed US\$3 billion in the short to medium term.

Goodman Group CEO, Greg Goodman commented: "We are excited by the growth outlook and momentum across our US platform. Particularly pleasing are the development sites we have secured in prime locations, together with the world class real estate we are currently developing. The quality of our focused product and service offering is highlighted by the high profile customers committing to these projects, including Georgia-Pacific at our recently completed Goodman Logistics Center Rancho Cucamonga in the Inland Empire West market."

Brandon Birtcher, CEO of Goodman Birtcher North America, commented "We are now benefiting from the hard work that has gone into taking our key land sites through the entitlement process. Significantly, we have achieved this at a time when the key macro drivers in the markets where we operate, including economic growth, new supply and absorption rates, are providing a favourable operating environment for our business."

Goodman's US achievements include the completion of its first logistics centre at Oakland, California in May 2014, which was subsequently sold to a US investor in an off market transaction. To date, Goodman has completed 2.2 million square feet in the Inland Empire West market in Southern California and currently has three active projects in the Inland Empire West market and Greater Los Angeles, totalling 2.3 million square feet. Across these sites, commercial terms have been agreed for over 50% of the available space, with active enquiry and terms issued for the balance of the lettable area.

### Goodman Group

Goodman Limited | ABN 69 000 123 071

Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621

as responsible entity of Goodman Industrial Trust | ARSN 091213 839

Level 17, 60 Castlereagh Street, Sydney NSW 2000 | GPO Box 4703, Sydney NSW 2001 Australia

Tel +61 2 9230 7400 | Fax +61 2 9230 7444

Goodman Logistics (HK) Limited | Company No. 1700359 | ARBN 155 911 149 | a Hong Kong company with limited liability  
Suite 2008, Three Pacific Place, 1 Queen's Road East, Hong Kong | Tel +852 2249 3100 | Fax +852 2525 2070

info-au@goodman.com | www.goodman.com

This week Goodman is hosting a property tour of its Southern California assets and development sites for investors. Attached is the presentation being provided as part of the property tour.

- Ends -

For further information, please contact;  
Greg Goodman  
Group Chief Executive Officer  
Tel: + 612 9230 7400

### **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 sustainable long-term returns for its Partners.

For more information: [www.goodman.com](http://www.goodman.com)



# Southern California property tour

November 3, 2015





# Important notice and disclaimer

---

- + This document has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071), Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839) and Goodman Logistics (HK) Limited (Company Number 1700359; ARBN 155911142 – A Hong Kong company with limited liability)). This document is a presentation of general background information about the Group's activities current at the date of the presentation. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with Goodman Group's other announcements released to ASX (available at [www.asx.com.au](http://www.asx.com.au)). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate.
- + This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Neither the Group, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking-statements in this document will actually occur.
- + This document does not constitute an offer, invitation, solicitation, recommendation, advice or recommendation with respect to the issue, purchase, or sale of any stapled securities or other financial products in the Group.
- + This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended (Securities Act) (US Person)). Securities may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration. The stapled securities of Goodman Group have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States.

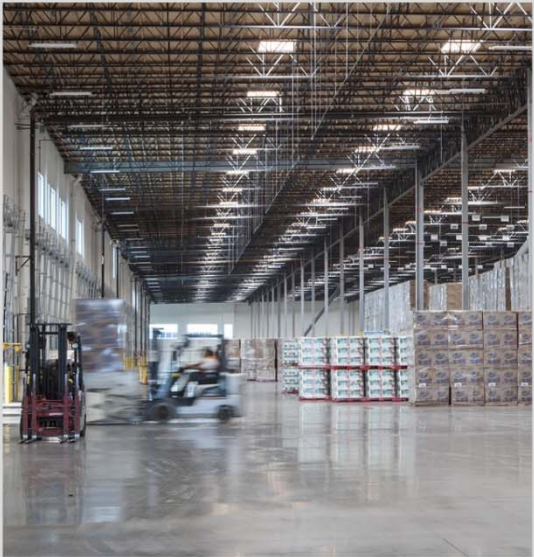
# Goodman North America



- + Goodman Group entered the North American market in June 2012 through the acquisition of Birtcher Development and the launch of the Goodman North American Partnership (GNAP)
- + Goodman's North American platform combines global expertise and local management knowledge
  - National platform headquartered in Irvine, California with a regional office in Pennsylvania
  - Vertically integrated business covering all aspects of development, investment, asset + property management
- + Goodman North American Partnership is an investment Partnership between Goodman (55%) and CPPIB (45%)
  - Investment vehicle for all assets developed and sourced by Goodman's North American platform
  - Investment strategy to target select North American logistics markets with an initial focus on development led opportunities
  - US\$2.0bn equity committed to GNAP
- + Goodman have identified and secured an investment and development pipeline of US\$1.7bn (15.1m sqft)
  - Focused on "Big Box" and infill product in key markets of Greater Los Angeles, Inland Empire, Northern New Jersey and Central Pennsylvania
  - Completed first building in Oakland, CA in May 2014 – subsequently disposed in an off market transaction to a US investor
  - 2.2m sqft of completed product in the key Inland Empire West sub-market
  - 2.3m sqft of product under construction across three projects
- + Including sites in various stages of acquisition, current investment and development pipeline is building toward US\$3bn



# US industrial market



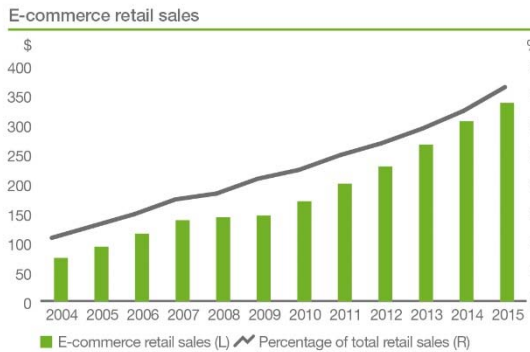
# Key US industrial market drivers



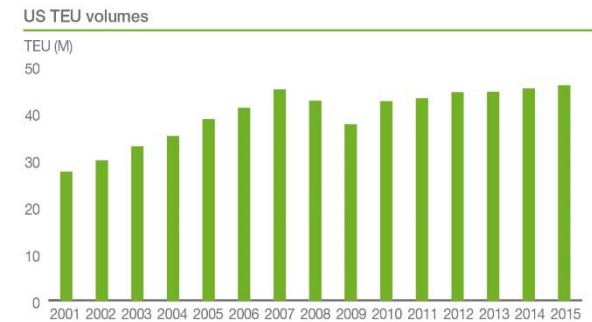
<p><b>Economic drivers</b></p>	<ul style="list-style-type: none"> <li>+ Key industrial demand drivers of industrial production, trade, retail sales, and consumer product inventories have staged a strong recovery since the global financial crisis</li> <li>+ Consumption represents nearly 70% of GDP – increasing spending capacity drives consumption, leading to an increase in demand for new buildings</li> </ul>
<p><b>E-Commerce</b></p>	<ul style="list-style-type: none"> <li>+ Now a key structural driver of industrial demand – e-commerce companies and traditional retailers continue to make major investments in omni-channel distribution networks</li> <li>+ E-commerce sales growing at over 14% per annum and represent 7% of total retail sales</li> </ul>
<p><b>Seaports</b></p>	<ul style="list-style-type: none"> <li>+ Seaports account for 99% of US international trade by weight and 64% by value</li> <li>+ 2 largest ports are LA/ Long Beach, NY/ New Jersey and comprise 45% of all TEU traffic</li> </ul>



Source: US Bureau of Economic Analysis



Source: US Department of Commerce.  
Note: 2015 figure represents annualized Q2 2015 actual



Source: Worldbank, CBRE  
Note: 2015 figure represents YTD Q3 2015 actual plus forecast

# US industrial market - supply



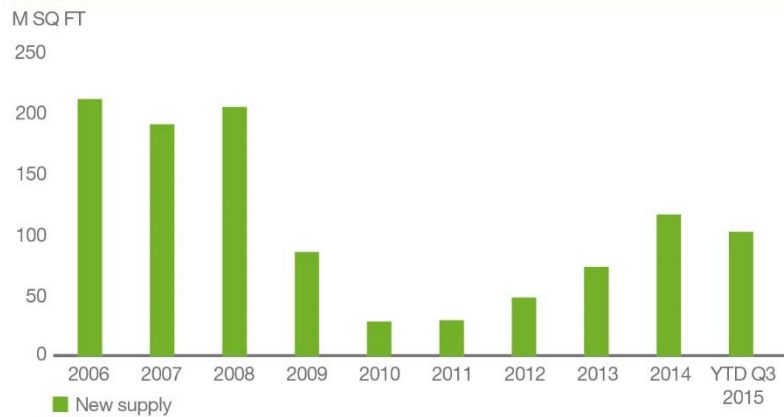
## Size and scale

- + World's largest - 13.2bn sqft of product of which 6.0bn sqft is warehousing and distribution space
- + Estimated 2.1bn sqft is "Big Box" warehousing (over ~300k sqft)

## Supply

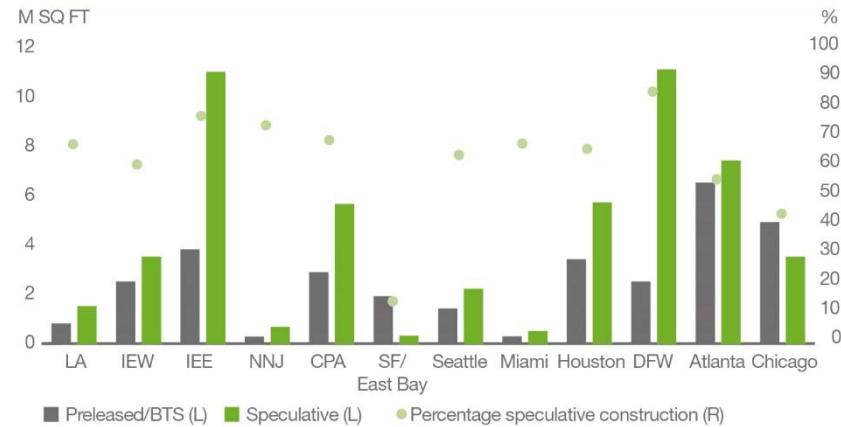
- + New supply remains in line with historical average, but some markets seeing an acceleration of new starts
  - Year to date (Q3 2015) new supply of 101m sqft – compares to 2014 new supply of 115m sqft
  - 10 year average new supply of 118m sqft with peak of 200m sqft in 2008
- + 148m sqft of product currently under construction with 45% speculative

New supply



Source: CBRE

Under construction: speculative vs prelease by market



Source: CBRE, Colliers, Cushman, JLL and Costar



# US industrial market - demand + rents



## Demand

- + New supply is being met by strong demand across majority of markets
  - 22 consecutive quarters of net absorption since Q2 2010
  - Year to date (Q3 2014) net absorption of 171m sqft compares to 2014 net absorption of 224m sqft
  - 10 year average net absorption of 113m sqft with peak of 289m in 2005
- + Class A net absorption represents 40% of all space, despite only representing 10% of total stock
- + Current market vacancy of 6.8%, down from 10.4% in 2010

## Rents

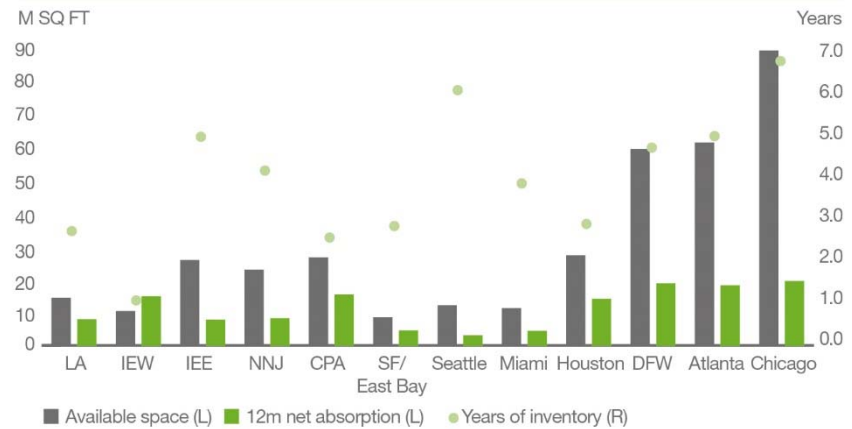
- + Year on year rent growth (at Q3 2015) of 4.3%
- + Between 2008 (peak) and 2010 (trough) average rents fell 21%
- + Market rents at Q3 2015 approximately 6% below peak

Net absorption and vacancy



Source: CBRE, JLL

US inventory and absorption by market



Source: CBRE, Colliers, Cushman, JLL and Costar

# US Industrial Market - Capital Markets



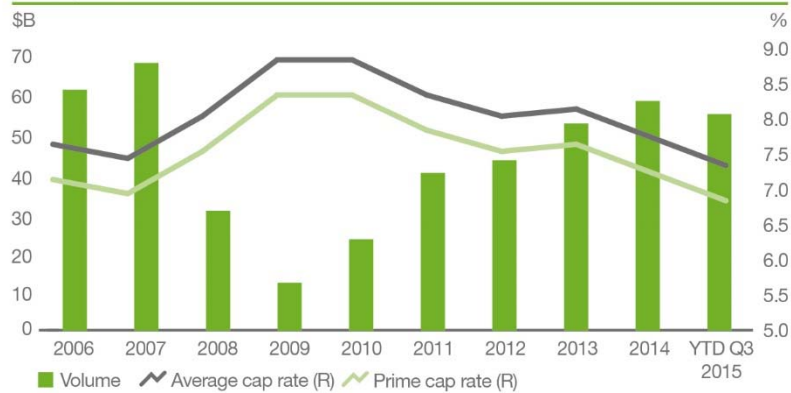
## Industrial investment sales

- + Strong demand for core, long let assets in prime locations
- + Capital values (on a \$psft basis) have now surpassed peak
- + Average cap rates now at 6.7%, 10bps below 2007 peak of 6.8%
- + Strong rental growth assumptions supporting acquisition underwriting
- + Year to date (Q3 2015) industrial investment sales of \$50bn – compares to 2014 total sales of \$53bn

## REITs

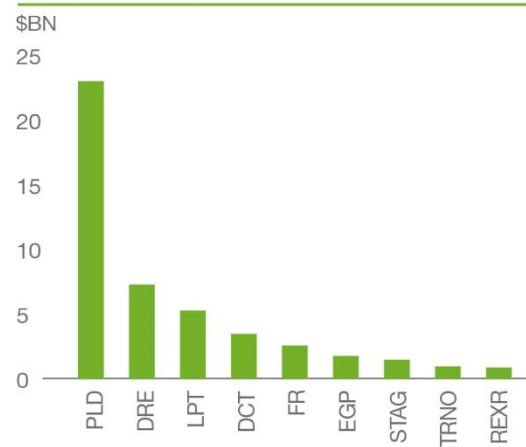
- + Nine industrial stocks with a total market cap of \$47bn with a median of \$2.6bn
- + Average 12 month total return of 7.5%

US cap rates and sales volume



Source: CBRE

Equity market capitalisation



Source: Deutsche Bank



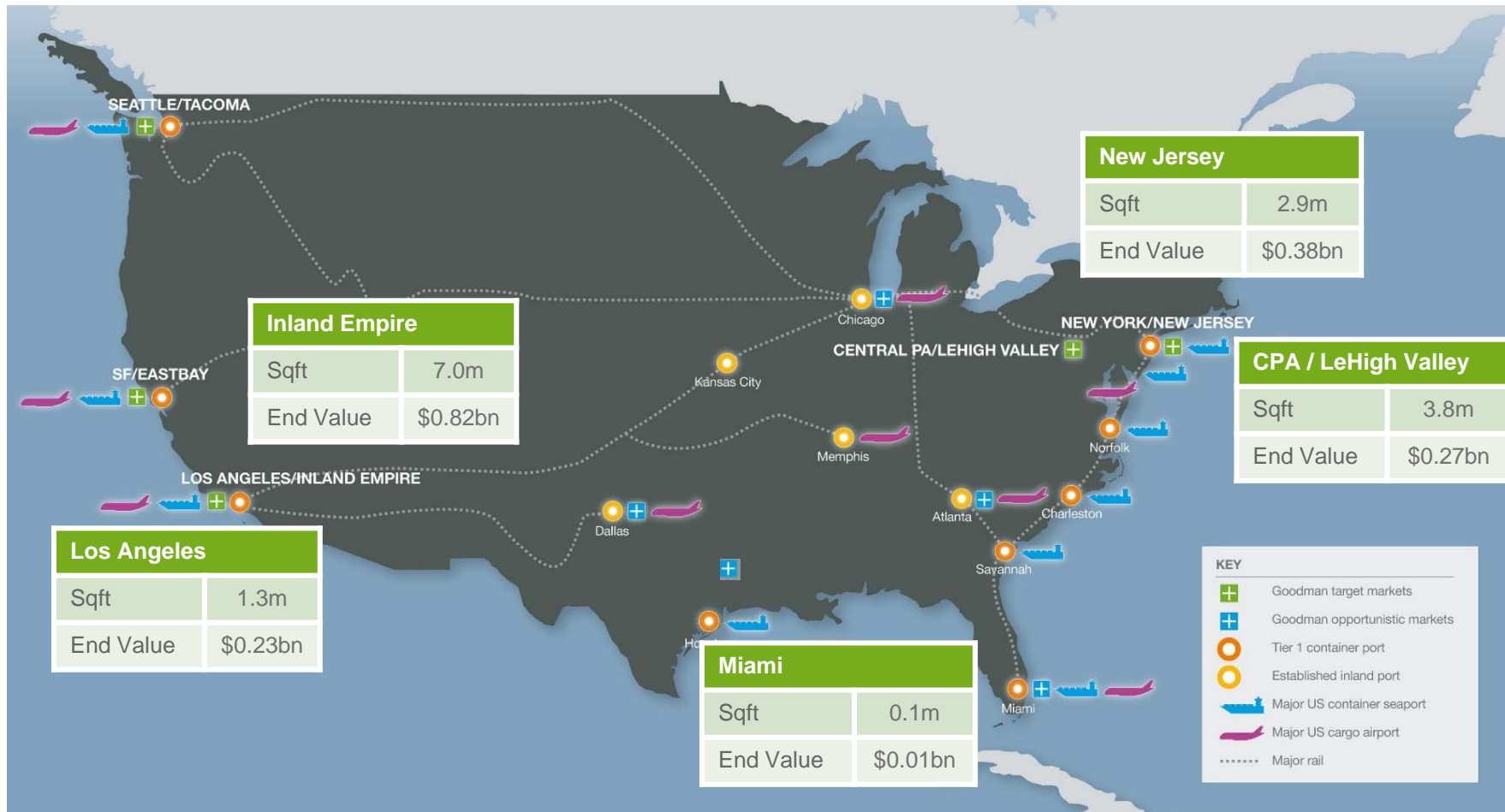
Investment pipeline



# Investment pipeline



+ Secured investment pipeline of US\$1.7bn providing 15.1m sqft of product

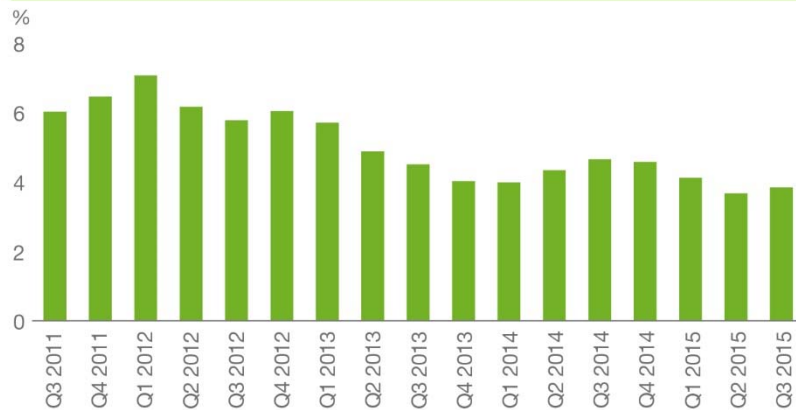


# Market focus - Inland Empire



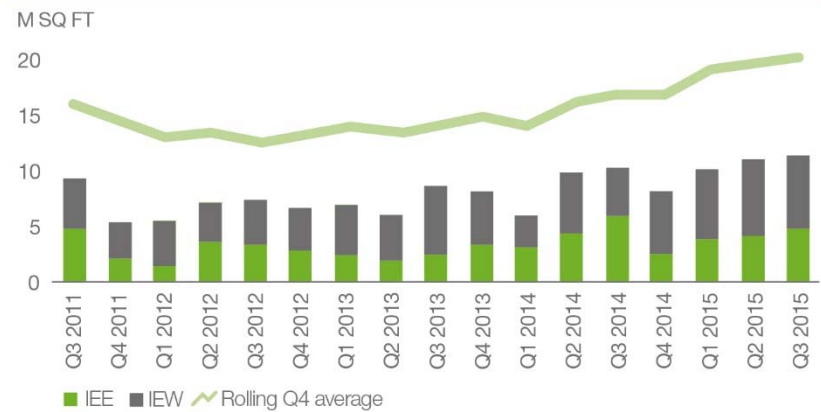
<b>Supply</b>	<ul style="list-style-type: none"> <li>+ Total industrial market size of 457m sqft - includes 140m sqft of 'Big Box' (500k sqft+) warehousing</li> <li>+ 59% of stock located in the Inland Empire West (IEW) with 41% located in the Inland Empire East (IEE)</li> <li>+ Overall Inland Empire vacancy rate of 3.8% - IEW vacancy of 2.1% and IEE vacancy of 6.3%</li> <li>+ 20.7m sqft of new product currently under construction – IEW 5.9m sqft and IEE 14.8m sqft</li> </ul>
<b>Demand</b>	<ul style="list-style-type: none"> <li>+ Year to date (Q3 2015) gross activity of 32.0m sqft, on track to reach 40m sqft in 2015</li> <li>+ Year to date (Q3 2015) net absorption of 17.3m sqft – IEW 11.0m sqft and IEE 6.3m sqft</li> </ul>
<b>Rents</b>	<ul style="list-style-type: none"> <li>+ Year on year rent growth (at Q3 2015) of 10%</li> <li>+ Rents on average approximately 5% below prior peak</li> </ul>

Overall market vacancy



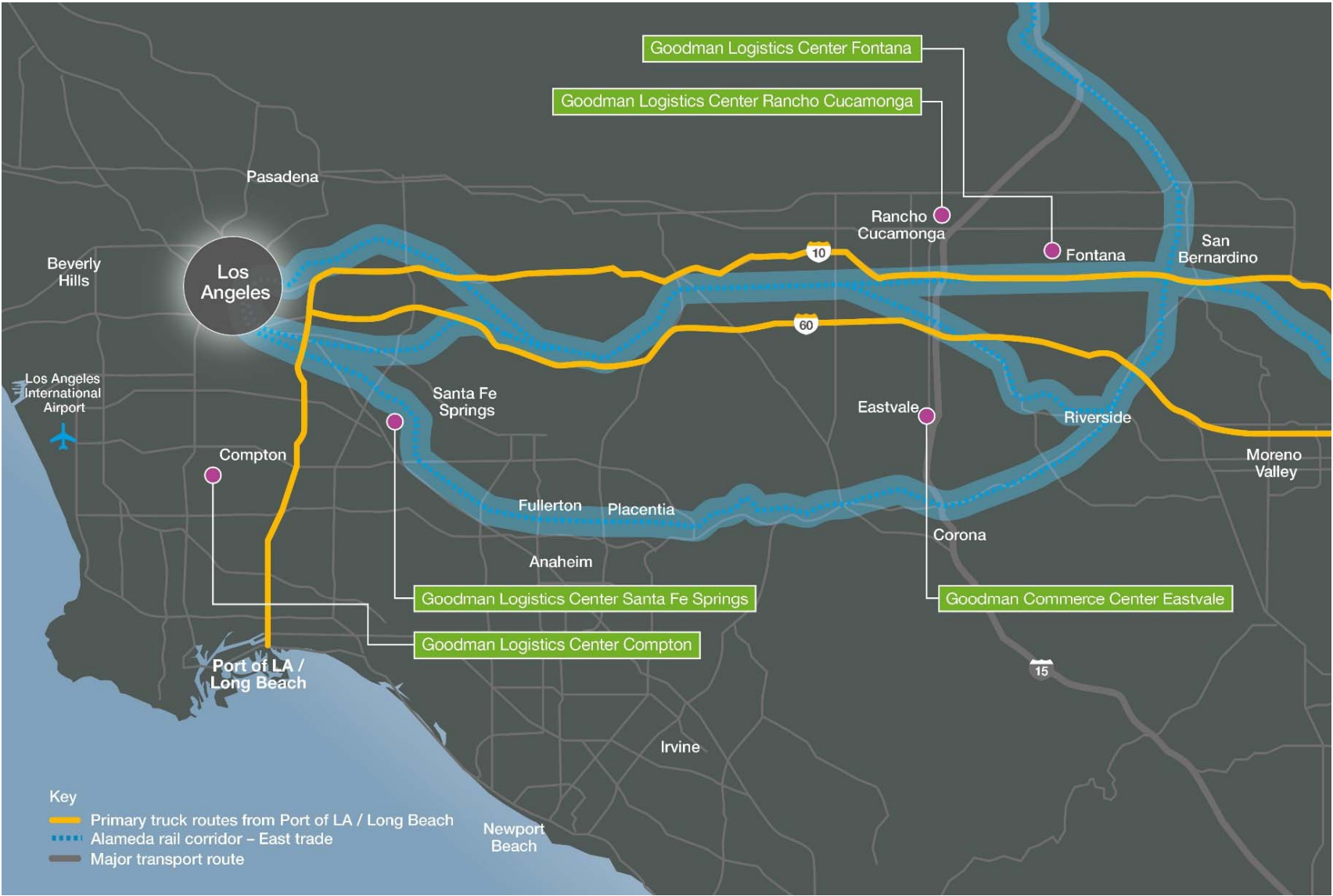
Source: CBRE

Overall market gross absorption



Source: CBRE

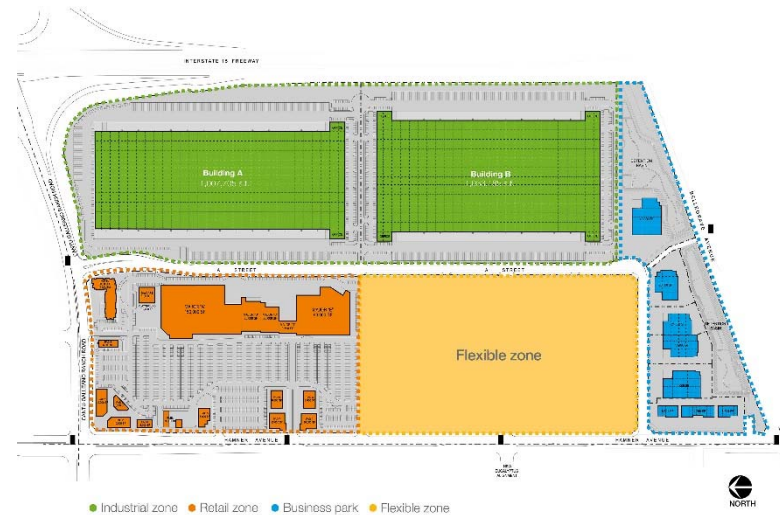
# Primary rail and truck routes



# Goodman Commerce Center Eastvale



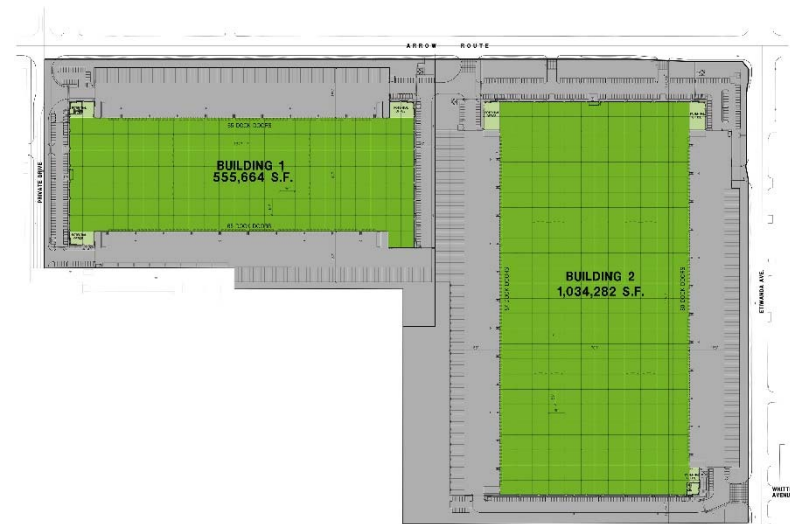
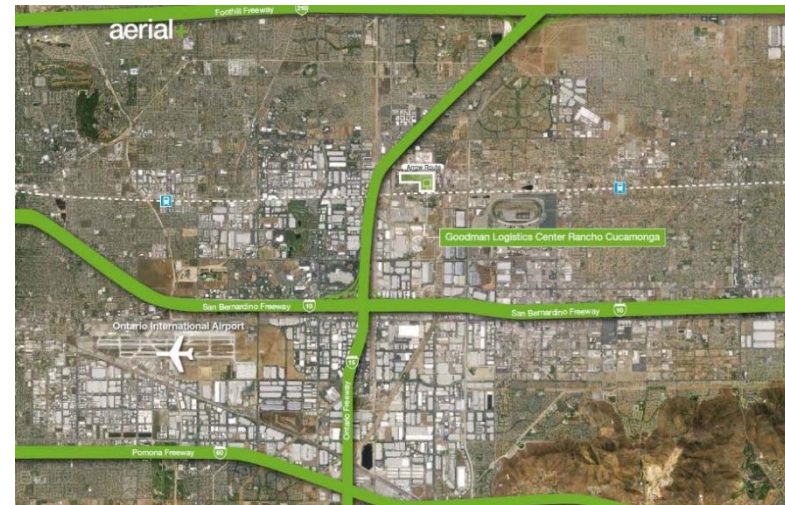
<b>Market</b>	+ Inland Empire West, CA
<b>Investment type</b>	+ Development
<b>Strategy</b>	+ Development of mixed use site – Industrial, Retail, Business Park and Medical
<b>Location</b>	+ Prime site located in key Inland Empire West sub-market + Adjacent to I-15 with direct access to on/off ramp + Five miles to Ontario International Airport + 60 Miles from LA/Long Beach Port allowing two truck turns per day
<b>Background and status</b>	+ Acquired site in 2012 + Approval to re-zoning received in December 2014 + 1.0m sqft industrial building under construction
<b>Site area</b>	+ 205 acres
<b>Net lettable area</b>	+ Industrial - 2.0m sqft + Retail - 0.4m sqft + Business Park - 0.2m sqft + Flexible use - 40 acres Industrial/Medical/Business Park
<b>Leasing</b>	+ Agreed commercial terms over 15% of site and progressing through legal documentation + Active enquiry or terms issued on additional 60% of site



# Goodman Logistics Center Rancho Cucamonga



<b>Market</b>	+ Inland Empire West, CA
<b>Investment type</b>	+ Development
<b>Strategy</b>	+ Development of two cross dock distribution buildings
<b>Location</b>	+ Prime site located in key Inland Empire West sub-market + Direct Freeway access to I-15 + Seven miles to Ontario International Airport + 60 Miles from LA/Long Beach Port allowing two truck turns per day
<b>Background and status</b>	+ Acquired site in 2012 + Asset completed in July 2015
<b>Site area</b>	+ 75 acres
<b>Net lettable area</b>	+ 1.6m sqft
<b>Leasing</b>	+ 100% pre-leased to Georgia-Pacific

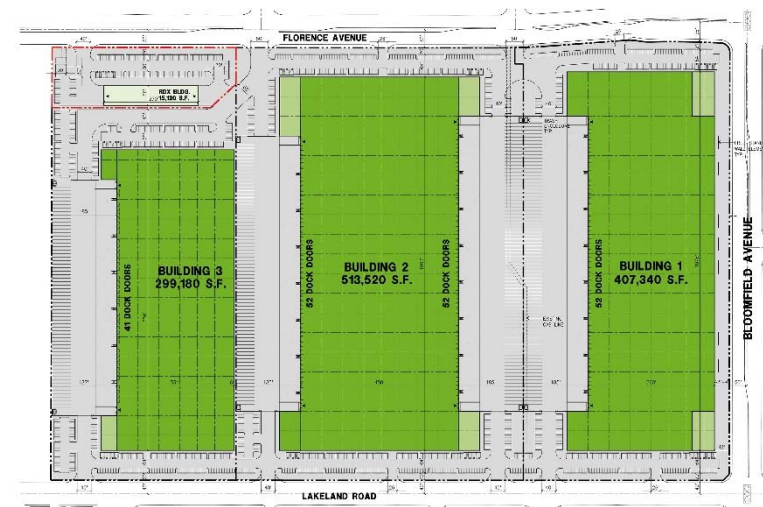
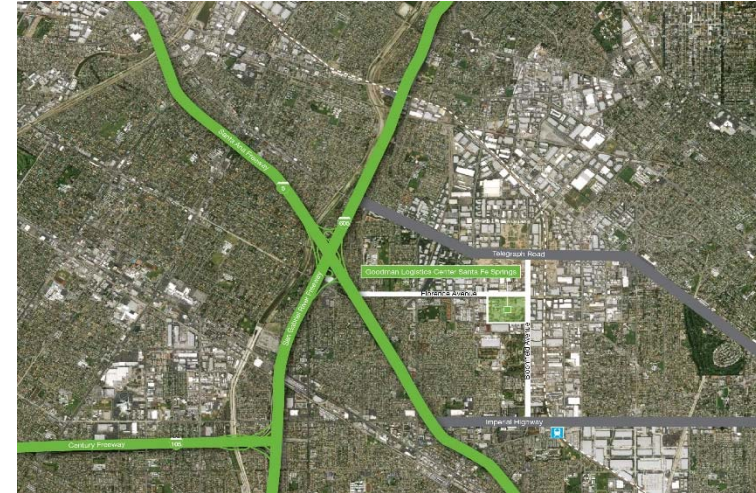




# Goodman Logistics Center Santa Fe Springs



<b>Market</b>	+ Los Angeles
<b>Investment type</b>	+ Development
<b>Strategy</b>	+ Development of three warehouse distribution facilities
<b>Location</b>	+ Prime site located in key mid-counties sub-market + 18 miles from Port of LA / Long Beach + Close proximity to the 605 and five freeways, and interstate 10 + 20 miles from Los Angeles airport
<b>Background and status</b>	+ Site acquired in 2014 + Decommissioned former oil refinery + Site is undergoing remediation + Building 1 currently under construction
<b>Site area</b>	+ 54 acres
<b>Net lettable area</b>	+ 1.2m sqft
<b>Leasing</b>	+ Agreed commercial terms over 100% of site and progressing through legal documentation





Thank you

