

nzx release+

GMT Advances Strategy in a Strong Market

Date 10 November 2016

Release Immediate

Goodman (NZ) Limited, the manager of Goodman Property Trust (“GMT” or “Trust”) is pleased to announce the Trust’s interim result for the six months ended 30 September 2016.

It has been a successful period with GMT achieving a strong financial result while also making significant progress towards longer-term strategic objectives.

Highlights include:

- + Operating earnings¹ of \$59.9 million before tax or 4.70 cents per unit on a weighted average issued unit basis, compared to 4.64 cents per unit in the previous period.
- + Cash distributions, relating to the first six months, of 3.325 cents per unit.
- + Profit before tax of \$73.1 million, compared to \$53.1 million previously. The 37.7% increase largely attributable to \$19.8 million of fair value gains on certain investment properties.
- + An active sales programme with \$264.8 million² of asset disposals announced.
- + Greater balance sheet capacity with a look through loan to value ratio³ of 28.8% compared to 33.9% in the previous period.
- + Commencement of three new development projects with a total project cost of \$44.2 million.
- + Net tangible assets of 122.4 cents per unit compared to 120.4 cents per unit at 31 March 2016.

Keith Smith, Chairman and Independent Director of Goodman (NZ) Limited said, “The positive operating environment continues to facilitate a more active investment approach, with transactional activity refining the portfolio and delivering strong gains for the Trust.”

It is also building resilience, with a lower level of gearing. This balance sheet capacity provides GMT with the means to progress its development programme and also secure complementary investment opportunities, should they arise.

Chief Executive Officer, John Dakin said, “With strong property market fundamentals and low interest rates stimulating business growth, the outlook remains positive.”

¹ Operating earnings are a non-GAAP financial measure included to provide an assessment of the performance of GMT’s principal operating activities. Calculation of operating earnings are as set out in GMT’s Profit or Loss statement.

² Including sales that are contracted but not yet settled.

³ Including sales that are contracted but not yet settled. Refer to note 3.5 of the financial statements for further information.

A continuation of these conditions means that GMT is expected to deliver full year operating earnings of around 9.5 cents per unit before tax, consistent with earlier guidance.

Distributions of 6.65 cents per unit, representing around 100% of cash earnings⁴, are also expected to be paid.

Further information on the financial result is provided in the Trust's interim report. The report was released today and is available from a link on the Trust's website at: www.goodman.com/nz.

Property Refinement

John Dakin said, "Steady occupier demand has continued to support positive leasing results, with 61,363 sqm of office and industrial space, or around 6% of the portfolio, secured on new or revised terms in the first six months of the year."

This leasing success has maintained portfolio occupancy at an average of 96% during the period and extended the weighted average lease term out beyond five and a half years, at 30 September 2016.

The strong customer demand that is maximising the performance of the investment portfolio is also ensuring that good progress continues to be made in the Trust's development programme.

Three new design build projects, with a total cost of \$44.2 million, have been announced since 31 March 2016.

John Dakin said, "Converting the Trust's strategic land holdings into high quality income producing assets remains a key focus and it is expected that around \$100 million of new developments, including both build-to-suit and build-to-lease projects, will commence this financial year."

The Trust has also made a strategic acquisition with the conditional purchase of two adjoining industrial properties in West Auckland for \$18.9 million.

Close to the CBD and with direct access to SH16 from the Lincoln Road interchange, the properties will be amalgamated into one estate and progressively redeveloped over time.

Balance Sheet Strength

John Dakin said, "GMT has continued to take advantage of the buoyant property market to sell assets, pay down debt and recycle capital into these new development and investment initiatives."

Three asset sales, totalling \$264.8 million, have already been contracted this financial year.

The volume of transactions means that GMT will have recycled around \$613 million of capital over the last four and a half years, over 25% of its total portfolio.

John Dakin said, "We are executing an organic growth strategy that is refining and rebalancing the portfolio, with greater investment in the Auckland industrial sector."

⁴ An internal measure of free cash flow that adjusts operating earnings after tax for interest costs capitalised to development land and maintenance related capital expenditure.

At 30 September 2016, GMT's look through loan to value ratio was just 28.8%, well below the 50% threshold permitted under its debt and Trust Deed covenants.

With substantial balance sheet capacity and around \$150 million of undrawn bank facilities, the Trust has the necessary liquidity to fund all its investment and development commitments.

It also ensures that GMT has sufficient headroom to absorb significant changes in asset values should investor sentiment change.

Positive Outlook

It has been a positive six months for GMT, with a rising property market continuing to facilitate a more active investment strategy.

Maximising the performance of the investment portfolio and progressing the development programme to grow cash earnings remain the key priorities.

With a low level of debt, a stable economic environment and steady customer demand, GMT remains well positioned to take advantage of current operating conditions.

The Board and Management Team are encouraged by the positive business outlook and expect GMT to deliver a full year result consistent with its previously stated guidance.

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Attachments provided to NZX:

1. NZX Appendix 1
2. Investor Presentation
3. GMT and GMT Bond Issuer Interim Limited Report 2017

About Goodman Property Trust:

GMT is an externally managed unit trust, listed on the NZX with a market capitalisation of around \$1.6 billion. The Manager of the Trust is a subsidiary of the ASX listed Goodman Group, Goodman Group are also the Trust's largest investor with a cornerstone unitholding of 20.7%.

GMT is New Zealand's leading industrial and business space provider. It has a substantial property portfolio, with a value in excess of \$2.3 billion, that accommodates more than 280 customers. The Trust holds an investment grade credit rating of BBB from Standard & Poor's.