GDI PROPERTY GROUP

ASX ANNOUNCEMENT

12 November 2015

CHAIRMAN'S ADDRESS

As Chairman of GDI Property Group Limited, and on behalf of the Board, I am pleased to present you with GDI Property Group's second annual report.

The financial year ended 30 June 2015 was another busy year for all concerned at GDI Property Group. We currently manage over $975 million of real estate assets, with $722.5 million of assets on our balance sheet, and another approximately $265 million held in unlisted, unregistered managed investment schemes. During the year we acquired 66 Goulburn Street, Sydney, for $136 million, with that asset now valued at $157 million, sold 233 Castlereagh Street, Sydney, for $156 million, versus a book value of $129 million and recycled a couple of smaller assets from GDI No. 38 Diversified Property Trust. We also established GDI No. 40 Office Trust, which acquired 80 George Street, Parramatta, our first acquisition in the highly regarded Parramatta office market in our 22 year history.

Our balance sheet remains in a very strong position, with a current loan to value ratio following settlement of 233 Castlereagh Street, Sydney, of 28%. This strong balance sheet position enabled us to implement an on-market buyback of securities, initially up to 5% of securities on issue but increased to 10% following the release of our Annual Financial Statements in late August.

All this resulted in us exceeding the Prospectus and Product Disclosure Statement dated 25 November 2013 ("Offer Document") forecasts. Our Funds From Operation (FFO) was $46.42 million, versus the Offer Document forecasts of $46.27 million. We paid the distribution of 7.5 cents per security and saw an increase in our Net Tangible Assets (NTA) per security during the year of 6 cents to $0.99 cents.

The business is extremely well placed for the future. The Unlisted Funds team under Mr Greg Marr continues to focus on rebuilding our Assets under Management to pre IPO levels. Despite the challenging and competitive market, they have secured an excellent "off market" office building which will likely form the basis of the new GDI No. 42 Office Trust in Q1 2016, on the back of the very successful GDI No. 40 Office Trust finalised last financial year. Our existing assets are well placed to benefit from the uplift in leasing markets that we are now seeing, particularly on the eastern seaboard. Our portfolio's occupancy[1] is 89% and its weighted average lease expiry[1] is 3.8 years. Only 8% of our portfolio's net lettable area is subject to leases expiring in FY16.

This excellent performance is a result of the hard work and dedication of our Managing Director, Steve Gillard, and all the team at GDI Property Group. At the time of writing our staff includes only 12 people. It is through their efforts that we have been able to exceed our forecasts and create such a strong foundation for the future.

I am also pleased to note the overwhelming support as indicated by the proxies received for the resolutions to be put to the meeting today. We are proud that the corporate governance advisors recommended supporting all the resolutions. Corporate governance and risk management are a priority for GDI Property Group. Utilising an automated, on line risk management system, we are able to manage our risks without impeding our ability to be entrepreneurial.

I also thank the Board for their support and commitment over the year and look forward to continuing to work with my fellow directors over the next 12 months.

I will now hand over to Steve Gillard, Managing Director of GDI Property Group.

1. By NLA and includes guarantees and signed Heads of Agreement as at 30 June 2015.

MANAGING DIRECTOR'S ADDRESS

First of all I would like to thank you all for your support of GDI Property Group, particularly those investors who participated in the IPO. I like many of you are disappointed in the security price. I will address that issue later in my speech.

The financial year ended 30 June 2015 was a very successful one for GDI Property Group. Financially, we exceeded our IPO Offer Document forecasts with Funds From Operation of 8.22 cents per security, paid our forecast distribution of 7.5 cents per security and delivered an absolute total return of 14.5%.

Operationally we acquired 66 Goulburn Street, Sydney and exchanged to sell 233 Castlereagh Street, Sydney, with settlement occurring on 30 October 2015. We launched GDI No. 40 Office Trust, which acquired our first building in Parramatta in Sydney, and leased, renewed, or extended over 30,578 sqm of office space, which increased the weighted average lease expiry of our portfolio to 3.8 years from 3.3 years.

I would like to thank the staff of GDI Property Group for their hard work and dedication. The team is working extremely diligently and we are well positioned for growth as business confidence and leasing markets improve. I would also like to thank the Board for all its support and guidance and look forward to continuing to work together.

That is enough about last year – let me now talk about the current status of all our properties and funds. Let me start with Perth, as I believe that the reason for our security prices underperformance is concerns about the level of exposure we have to the Perth market. The Perth office leasing market today is a lot softer than it was when we undertook the IPO in December 2013, mainly due to the unexpected halving of the oil and iron ore prices. A significant amount of new supply is coming online now, at the same time as demand for office space declines with many Perth based businesses still contracting. Vacancy rates are going to climb well over 20% by the end of the year.

However, Mill Green is somewhat insulated from these market forces. It is on a two acre site in a prime location with a lot of additional development potential that has a current passing yield of approximately 7% on its 31 December 2014 valuation, with no expiries in FY16.

I acknowledge we have been unable to lease 1 Mill Street, Perth, since IPO. However, we have prepared a residential scheme for 1 Mill Street which we could lodge if we so choose. The scheme is for 387 residential apartments.

1 Mill Street is currently valued at $41 million as an office building, so in my opinion there appears to be some upside to the valuation of 1 Mill Street on a change of use. The largest building in Mill Green is 197 St Georges Terrace. This building is 99% occupied with no expiry until May 2017. We are actively managing the leasing of this building with a number of tenants looking to extend, increase or reduce their occupancy needs. 5 Mill Street remains at approximately 85% occupancy, but we are now fitting out some of this vacant space and expect it to lease quite quickly once the fit-out is complete.

We have previously indicated that we would look to recycle Mill Green during FY16. Given the weak sentiment towards Perth we now do not believe it is the right time to launch a formal sales campaign. That does not mean that if a buyer offers a price that we consider to be fair value we wouldn't sell, it is rather that now is not the time to market the asset globally. Mill Green will be revalued at 31 December 2015.

Concern over our exposure to Perth overshadows, at least from the market perspective, success stories like 66 Goulburn Street, Sydney. We acquired that property for $136 million in July 2014. At the time it was approximately 25% vacant. Within a year we have filled the approximately 5,700sqm of vacancy to eight different tenants at rental levels significantly higher than the original valuation. The property was revalued at 30 June 2015 at $157 million, an increase of over 15% in under a year. The property now has no vacancy until September 2016 (FY17), when the property's largest tenant, Consolidated Media Holdings Limited, lease expires. We have commenced addressing that lease expiry risk and anticipate having a much reduced exposure to vacancy by September 2016.

Our property in Adelaide, 25 Grenfell Street, benefits from having 50% of its tenancies not expiring until FY23 at the earliest. Although we anticipate an increase in the level of vacancy when the Department of Water's lease expires in March 2016, this gives us the opportunity to reposition those vacant floors and capture higher rental levels than we are currently receiving.

Finally, occupancy at our asset at 307 Queen Street, Brisbane, is continuing to creep higher and currently sits at 78% (excluding the guarantee). While we believe that the Brisbane market is showing signs of improvement, it remains a market where vacancy is high and tenants or prospective tenants are in no rush to execute leasing transactions. Notwithstanding this, Brisbane is a market in which we would look to buy given the right opportunity.

Our Funds Business continues to perform strongly and growing the assets under management back to pre-IPO levels remains a core strategy of GDI Property Group. We would like to launch a large fund in the second half of FY16, and to this end we have already secured 223 – 237 Liverpool Road, Ashfield ("the Ashfield Property"). I discuss this asset when I turn my attention to our guidance.

We have been actively reviewing a number of other assets to couple with the Ashfield Property, in particular assets in regional locations where we see strong underlying fundamentals, diversified economies and acquisition prices well below replacement cost.

Our existing funds are generally performing strongly. Our refurbishment of 80 George Street, Parramatta (GDI No. 40 Office Trust) is nearly complete and we are now seeing the benefits of that with leasing deals being executed at rents that are in excess of $75/sqm higher. There is strong demand for the UGL assets (GDI No. 38 Diversified Property Trust) with a number of those now having been sold. 1 Adelaide Terrace, Perth has a weighted average lease expiry of 5.6 years following over 10,300sqm of leasing and renewal transactions with the Western Australian State Government. 10 Market Street, Brisbane (GDI No. 33 Brisbane Office Trust), a building with a strata sell down strategy, will benefit from the expected improvement in the Brisbane leasing market. 251 Adelaide Terrace, Perth (GDI No. 29 GDI Office Fund) is a high performing fund that is already in performance fee territory, but given the slow-down in strata suite sales in the Perth market will in all likelihood remain inactive until FY17. GDI No. 27 Total Return Fund, our smallest fund, continues to be a work-out situation.

At the release of our financial results in late August this year we provided guidance in relation to our Funds From Operations for the current financial year on an 'as is basis'. The guidance of 8.2 cents per security assumed no material change in circumstances, settlement of 233 Castlereagh Street, Sydney and concurrent execution of the Amended and Restated Facility Agreement on terms consistent with the credit approved term sheet, no new leasing and no new funds.

I would now like to provide a status update on various matters that impact this previous guidance.

Settlement of 233 Castlereagh Street, Sydney, occurred on 30 October 2015, one month later than originally anticipated. The one month delay resulted in additional interest income of approximately $800,000. We have also exchanged contracts to acquire the Ashfield Property on behalf of GDI No. 42 Office Trust, a new fund that was anticipated to be launched in this quarter. Given the nature of the asset and its lease profile, we believe that GDI No. 42 Office Trust should be at least a two asset fund, so we have delayed the capital raising until next year to give us sufficient time to secure at least one additional asset. The funding for settlement of the Ashfield Property on or around 17 December 2015 will be provided by GDI Property Trust, with this being accretive due to the Ashfield Property's higher return than GDI Property Trust's cost of incremental funding. If we are successful in securing at least one more asset for GDI No. 42 Office Trust, then we would anticipate also receiving establishment fees that were not included in the 'as is guidance'. Failure to secure a second property would mean we would in all likelihood hold the property permanently in GDI Property Trust.

Although we have good leasing momentum at each of our properties, including Mill Green in Perth, the reality is that any leases agreed now will not add materially to FY16 earnings. Our as is guidance also included disposal fees for assets in our funds business 'where a sale of an asset is considered certain'. This related to five assets being sold from GDI No. 38 Diversified Property Trust, of which two have now been sold, with the other three remaining for or withdrawn from sale. The prices received for the two assets sold resulted in a profit before costs of 37% from the industrial asset at Milperra, Sydney and 42% for the office building in Pymble, Sydney. Failure to sell the other three assets will not materially impact the 'as is' guidance.

Although what I have discussed would result in higher earnings than the guidance we have previously provided, a sale of one of our assets, in the absence of an acquisition or a capital return, would in all likelihood be decretive to previous guidance. We have not launched a sales campaign for any of our headstock assets, but if approached by a prospective buyer at what we consider fair value, we would entertain a sale of any asset. We do not consider any asset sacred.

I thank you again for your support and look forward to another successful year ahead.

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