
ASX ANNOUNCEMENT

11 November 2021

CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

Following is the Chairman's address and the Managing Director's presentation to be delivered at today's Annual General Meeting of GDI Property Group¹.

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Authorised for release by David Williams, Company Secretary

1. GDI Property Group comprises the stapled entities GDI Property Group Limited (ACN 166 479 189) and GDI Property Trust (ARSN 166 598 161).

CHAIRMAN'S ADDRESS

It has been a strange year for many of us, particularly those of us in Sydney and Melbourne who have endured months of lockdown. In contrast, life has continued pretty much as normal in WA and Qld where we have our buildings. With COVID-19 playing havoc with our lives I am very proud of the way in which Steve and the whole team have managed to run the business, meeting the challenges in such a flexible way.

The lockdown in Australia's two most populous states will have a material impact on those states' short term economic outlook. GDI holds no property in either Sydney or Melbourne. We did not predict that these two states would face such difficult health and economic conditions due to prolonged COVID-19 lockdowns relative to the other state capital cities. Rather, beginning in FY17 we deliberately began weighting our portfolio and assets in the funds business to Perth, believing that Perth offered better prospects for long term returns than any other state capital city.

To capitalise on this belief we sold 25 Grenfell Street, Adelaide (FY17), 307 Queen Street, Brisbane (FY17) and 66 Goulburn Street (FY18), from our balance sheet and 80 George Street, Parramatta (FY17) and 223 – 237 Liverpool Road, Ashfield (FY19), from our Funds Business. In October 2017 we purchased Westralia Square for our balance sheet and in July 2020 we purchased 180 Hay Street, Perth. In the Funds Business we purchased 6 Sunray Drive, Innaloo (IKEA) and the IDOM Portfolio, for GDI No. 43 Property Trust and GDI No. 46 Property Trust respectively. All of these assets are either performing above expectations or positioned to take advantage of the rapidly improving Perth market. Combined with the assets we already owned or managed in Perth, this re-weighting strategy means we now have nearly \$1.1 billion of assets in Perth, and following the sale of 50 Cavill Avenue, Surfers Paradise, in August 2021, over 90% of our assets under management are located in Perth.

The WA government's hard border stance is a two-edged sword for Perth and its economy. On the one hand Perth has managed to avoid the worst of COVID-19. With only a small number of days where Perth was locked down, most of our tenants were able to operate as normal. Office usage in the Perth CBD consistently ranked amongst the highest of all Australian cities and accordingly, very few rent relief requests have been received since the 2020 lockdowns. Notwithstanding the impact of 'work from home' and the consequent demand for workplace flexibility, the high usage levels in the Perth CBD where COVID-19 hasn't been as much a part of the daily vernacular as other state capital cities show that the office will continue to be an important part of business life. The office provides an organisation with the ability to foster its own identity and culture; promote innovation and productivity improvements through staff collaboration; on-the-job and tacit learnings for junior employees from their more experienced colleagues; marks the boundary between work and home; and enhances the social aspect of work.

However, the hard border closures are making it difficult for domestic and international migration. Anecdotal evidence is that many Perth based businesses are struggling to hire the people they need to deliver on new work. This is acting as a handbrake to the economy and slowing down the recovery in the office market. These border closures have also made it difficult for our executive team and the Board to travel to Perth. Fortunately, when the borders were open the executive team, primarily Paul Malek who asset manages all of our Perth office assets, and Steve, spent considerable time on the ground. We are also fortunate to have a first-rate team based in Perth. I'd particularly like to recognise David Ockenden, our Head of Development, and John Byrne, who is our in-house leasing specialist, for the wonderful job they have done in the last twelve months.

Office properties, as part of the built environment, have a very important environmental role to play. We are very proud of our environmental successes this year. We've had NABERS Energy, Indoor Environment and Water rating improvements across our portfolio. We've reduced our electricity grid use and 197 St George's Terrace, Perth was rated as a Platinum Waterwise Building of the Year. We managed to achieve these improvements not from building new properties with new and more efficient technologies, but by upgrading existing properties. Because existing buildings comprise the largest segment of the built environment, when we undertake such upgrades, we make an important contribution to not only reducing that building's environmental footprint but also improving the general environmental footprint of the area in which the building is located. We have a very strong focus on minimising and avoiding waste of fittings, appliances and interiors when undertaking an office stripout and/or fitout, and aim to reuse workstations, fittings and furniture either within the same building or in other GDI buildings. Aluminium and glass are separated for recycling and where possible, we recycle carpet and underlay. All components of redundant air conditioning equipment are disposed of appropriately, including redundant refrigerant.

All this we do as it's good for our tenants, it's good for our community, and it's good for our bottom line. If a building we buy already has exceptional services and a low environmental footprint, we will continually look for incremental improvements in the belief that every bit counts

We released our first ESG Report last year and received a lot of positive feedback, particularly from a number of our listed investors. This year we included a number of them and other capital providers to broaden our stakeholder reach to provide more focused ESG reporting based upon the issues they, together with our internal stakeholders, consider material. Our Head of Property, John Garland, is driving this and I encourage you to read the report. We still have a lot more to do and we will continue to improve both our practices and our reporting.

I would like to thank my fellow Board Members, Giles Woodgate, John Tuxworth and Stephen Burns for their proactive engagement and support. Most importantly, I would like to congratulate Steve Gillard and the whole GDI team for another successful year and thank them all for their efforts.

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GDI PROPERTY GROUP

Annual General Meeting

11 November 2021

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Overview of FY21



NTA – \$1.25 per security

- Small (\$2.3 million) valuation gains during the year
 - Does not include \$8.0 million gain from sale of 50 Cavill Avenue, Surfers Paradise
- Maintenance of distribution resulted in NTA decreasing \$0.02 per security from 31 December 2020



FFO of 5.37 cents per security

- Significantly higher than internal forecasts due to leasing successes

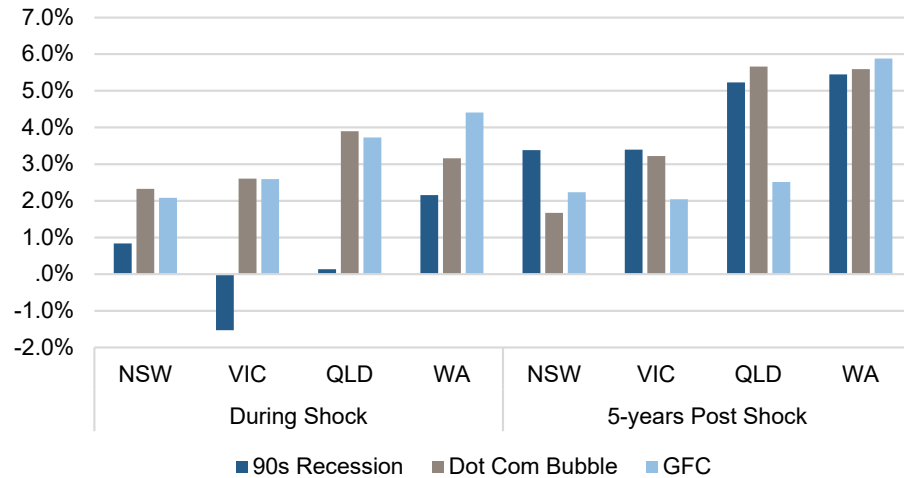


Distribution of 7.75 cents per security

- Maintained distribution at prior year level

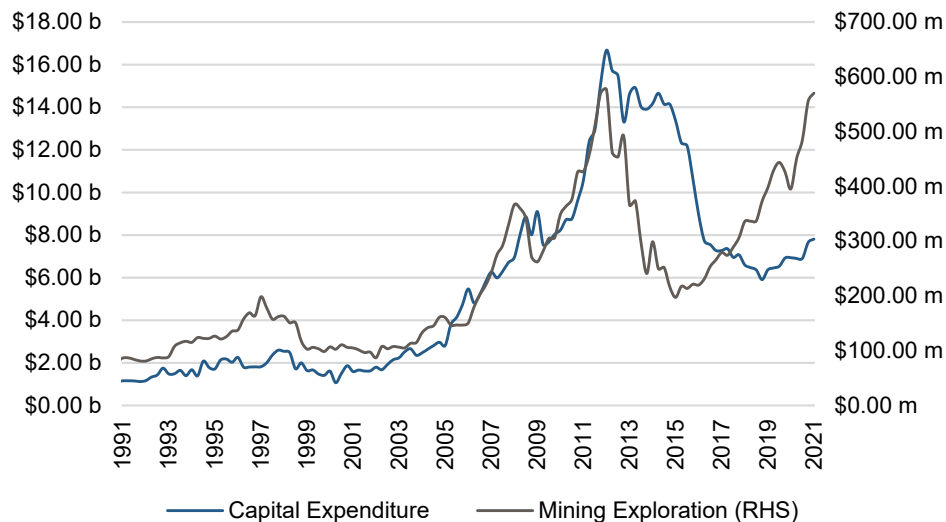
Portfolio strategically weighted towards Perth

Based on past 'shocks', WA will lead the economic recovery



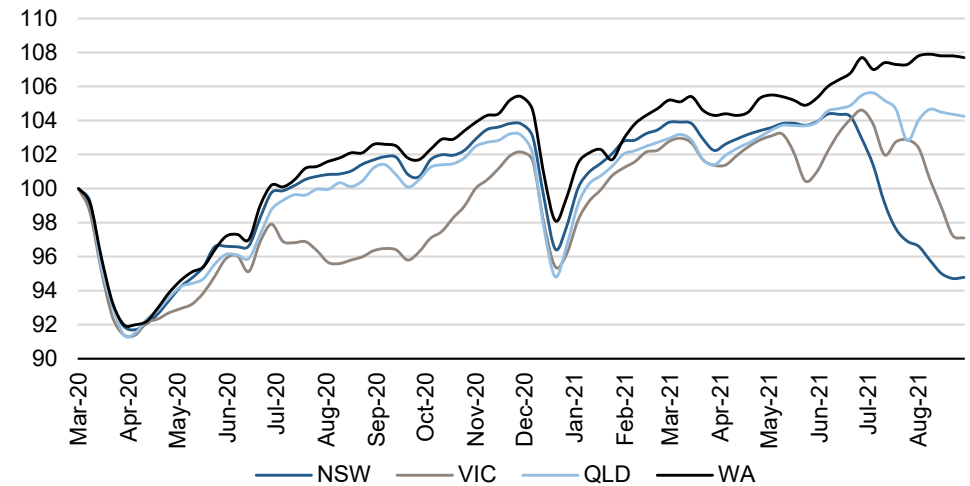
Source: CBRE Research

Mining exploration drives capital expenditure



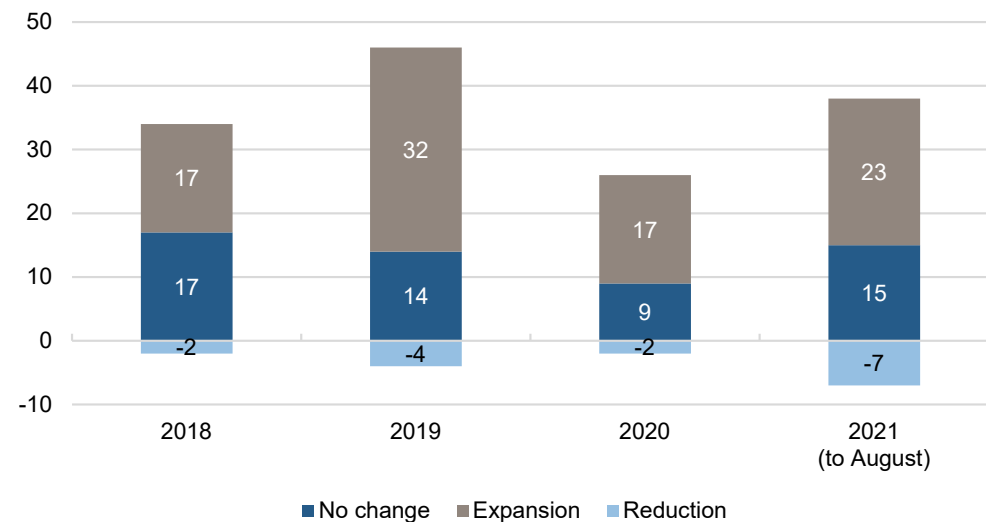
Source: CBRE Research

A strong and sustained rebound in jobs



Source: CBRE Research

Majority of tenants expanding



Source: CBRE Research

A solid start to FY22

Leasing

- High levels of enquiry for all assets:
 - However, commitments being delayed until borders reopen
 - Anticipate a sustained period of elevated levels of activity once the WA border reopens
- Another floor under Heads of Agreement at Westralia Square, leaving only five floors left
- Solid interest in 180 Hay Street, Perth, Stanley Place, Townsville and 1 Adelaide Terrace, Perth



WS2 Architectural drawing only

Capital Markets

- Settled the sale of 50 Cavill Ave, Surfers Paradise
- In exclusive due diligence to acquire two properties for approximately \$70.0 million which is likely to be held by the Head Stock
- Have now purchased and cancelled 5,767,679 securities pursuant to the buyback program announced in March 2020 at an average price of \$1.11 per security



1 Adelaide Terrace, Perth

Vision



WS2 Architectural drawings only

- Perth's most environmentally friendly premium grade office building
- Approximately 9,500sqm of NLA constructed from a combination of steel and timber
- Total costs of \$63.0 million includes approximately \$10.0 million of precinct works to re-position Westralia Square to premium grade status
- Expected to complete in second half of CY22

Progress



- Although early days, on time and budget
- No foreseeable supply constraints
- Promising levels of leasing enquiry

But still a lot more to do...

Leasing

- Significant leasing opportunities remain at
 - 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Trust)
 - 180 Hay Street, Perth
 - Westralia Square and WS2, Perth
 - 235 Stanley Street, Townsville (GDI No. 42 Office Trust)
 - 197 St Georges Terrace, Perth

Capital markets

- Continue to review acquisition opportunities for both the Property division and Funds Business, focusing on markets demonstrating the strongest near to medium term growth prospects
- Accelerate the sell down of the strata suites at
 - 251 Adelaide Terrace, Perth (GDI No. 29 GDI Office Fund)
 - 10 Market Street, Brisbane (GDI No. 33 Brisbane CBD Trust)

Capex and development

- Progress the development opportunity at 1 Mill Street, Perth
- Exceed the timeline for the WS2 development
- Unlock the development potential in some of the assets in the Funds Business, most notably and immediately at UGL Bassendean and IKEA



180 Hay Street, Perth



235 Stanley Place, Townsville

Distribution

- Confirm our intent is to pay a cash distribution of 7.75 cents per security for FY22, regardless of our level of FFO, subject to no material change in circumstances or unforeseen events
 - Likely that a proportion of any distribution will be paid out of capital
 - No change from FY21

COVID-19 lockdowns

- No direct impact on our assets YTD

