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Goodman reaffirms full year FY2015 earnings guidance, following strong first quarter operational performance

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Release Immediate

Goodman Group (Goodman or Group) has today announced an operational update for the first quarter ended 30 September 2014, which highlights the continuing opportunities being realised across the Group's global operating platform. Goodman is well positioned to continue benefitting from the robust global capital market conditions and ongoing demand for prime industrial space.

Operational highlights

- + Total assets under management increased to \$27.7 billion, up \$0.9 billion from 30 June
- + Leased more than 1.1 million sqm (including developments) across the Group and managed funds, representing \$121 million of annual rental income
- + Occupancy maintained at 96% across the Group and managed funds, achieving a weighted average lease expiry of 4.8 years
- + Development work in progress of \$2.7 billion across 69 projects, with a forecast yield on cost of 8.6%
- + Pre-committed developments increased to 61% from 53% at 30 June, reflecting strong pre-leasing success
- + Disciplined risk management practices applied to development activities, with 86% of all developments pre-sold and capital recycling
- + Urban renewal projects providing positive planning outcomes, in line with strategy and providing long-term higher and better use opportunities
- + Over \$500 million of urban renewal sites on the market, under due diligence or conditionally transacted in Australia and the United Kingdom
- + External assets under management increased to \$23.2 billion, up \$0.8 billion from 30 June
- + Completed \$1.3 billion in new banking facilities

Goodman Group

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Goodman has performed well in the first quarter of FY2015. As an Australian-listed, leading specialist provider of industrial property and business space, the Group is well positioned, capitalising on the geographic diversity of its operating platform which spans key logistics markets globally, a quality portfolio of over 430 properties and a highly-skilled team of people with proven development and management capability.

The current operating environment continues to be characterised by the limited supply of quality industrial property and a surplus of capital available for investment, which is driving demand and significantly higher asset pricing. In this context, Goodman has focused on leveraging its real estate entrepreneurial expertise, strong support of its capital partners and extensive customer relationships, to realise opportunities across its global development business and selectively pursue opportunities to create its own product and reposition or rotate assets.

During the quarter, the Group capitalised on the attractive market conditions in a number of its operating regions to selectively dispose of \$322 million of investment properties. Strong capital flows and growth in asset pricing are providing ongoing opportunities for Goodman to rotate assets and recycle capital into its development business, with a further \$1.3 billion of the Group's property assets currently under offer or in due diligence, excluding urban renewal sites.

Goodman's development activities experienced robust growth over the quarter. The underlying lack of supply of modern, high quality logistics space and structural changes impacting the occupier market continue to drive demand for new industrial product. As a result, development work in progress has increased to \$2.7 billion across 69 projects in 12 countries, ensuring the Group retains its position as one of the largest developers of industrial property globally.

Customer demand is underpinning stable volumes in Europe, Australia and New Zealand, with predominantly pre-committed development activity undertaken during the quarter. In markets where Goodman is undertaking a development-led strategy, volumes are growing in line with the Group's prudent approach to selecting the best quality opportunities. Highlighting this, strong pre-leasing results have been achieved on developments, such as Goodman Mizue in Tokyo, Japan and Goodman Citylink in Langfang, China, both achieving 100% pre-leasing success prior to completion, with global customers including BMW Brilliance Automotive, Decathlon and other large retailers. This has seen pre-commitments in our development workbook grow to 61% at quarter end, up from 53% at 30 June 2014.

Goodman is on track and progressing with the strategic rollout of its development-led approach in Brazil through its WTGoodman joint venture. Since entering the market in November 2012, WTGoodman has maintained its development pipeline at approximately 900,000 sqm across five sites, primarily in the key São Paulo and Rio de Janeiro logistics markets. A key feature of the 287,000 sqm of development projects currently underway is the successful pre-leasing activity being achieved, combined with growing customer demand for new built-to-suit facilities. Highlighting this, WTGoodman secured a pre-commitment from Via Varejo, one of Brazil's leading consumer goods retailers during the quarter, for a 145,392 sqm distribution centre in Campo Grande, Rio de Janeiro, with further built-to-suit opportunities in negotiation.

The Group achieved positive planning outcomes for a number of its Sydney urban renewal sites during the quarter and has maintained its urban renewal pipeline at 35,000 apartments, with the potential to further grow this over time. Reflecting the strong demand for zoned residential sites, Goodman currently has in excess of \$500 million of urban renewal sites on the market, under due diligence or conditionally transacted in Australia and the United Kingdom. As a result of recent zoning outcomes and comparable sales, independent valuations are to be undertaken on a number of urban renewal sites to reflect current saleable values which are expected to result in

an uplift in the range of \$150-\$170 million. This has the potential to be a recurring feature in future periods. In accordance with Goodman policy, any revaluations and/or extraordinary realised gains from the sale of urban renewal sites are excluded from operating profit.

Goodman's Group Chief Executive Officer, Greg Goodman said: "Goodman has made a positive start to FY2015, achieving robust underlying operating performance across all parts of our business and ensuring the consistent and focused execution of our business strategy and day-to-day operational activities.

"We continue to benefit from the significant size and scale of our diversified operating platform, proven development and management capability, and extensive capital partner and customer relationships. When combined with our quality product and service offering, Goodman has the global reach and breadth of available opportunities to capitalise on the strong demand for prime industrial space and drive the future growth of our business."

With robust property fundamentals and strong underlying operating momentum across its business, Goodman reaffirms its forecast FY2015 full year operating earnings per security of 36.9 cents, up 6% on FY2014.

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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 fund managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant fund management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.