

11 August 2015

GPT Metro Office Fund profit and earnings exceed forecasts

FY15 Key Financial and Operational Highlights

- Net Profit After Tax (NPAT) of \$35.7 million¹
- Earnings per unit of 11.28 cents, exceeding PDS guidance
- Distribution per unit of 10.15 cents
- Net Tangible Assets (NTA) up 9.4% to \$2.09
- \$24.0 million valuation uplift
- Successful completion of 3 Murray Rose
- Retention of McConnell Dowell at Vantage
- Conservative gearing at 28.9%

The GPT Metro Office Fund (GMF) today announced its inaugural Annual Result, delivering a NPAT of \$35.7 million¹ for the eight months to 30 June 2015. The Fund has exceeded its Product Disclosure Statement (PDS) expectations for the period achieving earnings per unit of 11.28 cents, above the Fund's PDS forecast of 10.33 cents, and a distribution of 10.15 cents per unit, which is 3.5 per cent above PDS forecast.

GMF Fund Manager, Chris Blackmore said the Fund's first Annual Result delivered profit and earnings above PDS forecasts, driven by a number of factors including savings on establishment costs for the Fund, interest cost savings and the timing of tenant surrender payments. Since listing on the ASX in October 2014, the Fund has also been included in the S&P/ASX 300 Index at the March 2015 quarterly rebalance.

Disciplined Capital Management

As at 30 June 2015, GMF had gearing of 28.9 per cent with a low weighted average cost of debt of 4.8 per cent. The Fund has also activated its Distribution Reinvestment Plan (DRP) for the June 2015 distribution.

Solid Portfolio of Quality Assets

"The result reflects the strong position of the Fund which has a high quality portfolio of six A-Grade metropolitan and business park office properties. Over the eight months to 30 June 2015, the portfolio has experienced a \$24.0 million uplift in asset values, driven by rent increases and cap rate compression," Mr Blackmore said.

As at 30 June 2015, office occupancy is high at 95.5 per cent² with the weighted average lease expiry maintained at 6.3 years.

Successful Development Completion

The \$83 million development of 3 Murray Rose Avenue at Sydney Olympic Park reached Practical Completion in March 2015, ahead of schedule. The asset, which is fully leased to Samsung until 2022, has achieved a 5 star Green Star design rating, and is targeting a 5 star Green Star As-Built rating and 5 star NABERS Energy and Water ratings.

1. For the period from 26 May 2014 to 30 June 2015, the Fund delivered a NPAT of \$41.5 million.

2. Including rental guarantees.

Leasing Achievements

In the period since listing, the Fund has maintained a strong asset management focus, proactively engaging with McConnell Dowell, whose lease at Vantage in Hawthorn was due to expire in 2016. “As a result, we have secured a seven year lease extension to March 2023 with a small amount of space handed back, which reduces near-term lease expiry risk at Vantage,” Mr Blackmore said.

The Fund has also delivered leasing success in Sydney Olympic Park with both renewals and new leases signed on five tenancies across 1,950 square metres in the Quad 2 and Quad 3 assets. Mr Blackmore said the additional leasing achieved by the team has supported both the Fund’s office occupancy level and portfolio net income, which was \$16.6 million for the period.

Metropolitan Office Markets

Mr Blackmore said Australian metropolitan office markets have been tracking in line with economic growth, with the strongest markets being in Sydney and Melbourne. “Both net face and effective rents have been improving across the eastern seaboard markets. Market fundamentals indicate a stable outlook for metropolitan office markets across Australia. This is having a positive flow-on impact to capital values of assets in metropolitan office markets,” Mr Blackmore said.

“In the Sydney metropolitan office markets, where GMF has 54 per cent exposure, we have seen office demand and rental growth continue to strengthen, supported by an improving NSW economy.

“The Victorian economy, which was the fastest growing in Australia, was expected to support office employment growth which, when combined with low supply, indicates solid rental growth opportunities in Melbourne metropolitan office markets,” Mr Blackmore said.

Outlook

Mr Blackmore said the Fund has upgraded its forecast earnings to 19.12 cents per unit and forecast distribution to 17.80 cents per unit for the period from Allotment to 31 December 2015.

“Operationally, our priorities within the portfolio will be focused on leasing, across the available space at Vantage in Hawthorn, the retail space at the Optus Centre in Fortitude Valley, and the renewal or re-lease of three suites at Quads 2 and 3 in Sydney Olympic Park,” Mr Blackmore said.

Market Briefing

GMF will be providing a market briefing at 10:00am (AEST) today, 11 August 2015. The market briefing will be webcast via the website (www.gptmetroofficefund.com.au).

– Ends –

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