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Goodman's global platform driving robust operational performance in Q3 FY2014

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Release Immediate

Goodman Group (Goodman or Group) has today announced an operational update for the quarter ended 31 March 2014, which highlights the significant activity across Goodman's business globally and the competitive advantage provided by its geographically diversified operating platform. The Group is benefitting from the strength of global capital markets and accordingly, the outlook remains positive and in line with expectations.

International highlights

- + 56% of assets under management in Goodman's key international markets
- + 77% of development work in progress is in those key markets
- + 90% of private equity is provided by international capital partners
- + 75% of people located in Goodman's international markets, across 28 offices
- + International markets contribute in excess of 50% of operating EBIT

Operational highlights

- + Total assets under management increased to \$26.4 billion, up 13%
- + Leased 2,115,000 sqm across the Group and managed funds to date in FY2014, representing \$249 million of annual rental income, with positive reversions of 5.2% on new leasing deals
- + Occupancy at 96% across the Group and managed funds, achieving a weighted average lease expiry of 4.9 years
- + Development work in progress of \$2.7 billion across 65 projects, with a forecast yield on cost of 8.4%
- + Secured \$1.5 billion of new development commitments and completed \$1.2 billion of projects to date in FY2014
- + 65% of developments pre-committed and 91% pre-sold
- + Urban renewal projects progressing through formal planning and consultation process
- + External assets under management increased to \$22.0 billion
- + \$2.0 billion of new third party equity raised to date in FY2014
- + Goodman Japan Core Fund undertaking US\$300 million capital raising
- + Completed \$5.2 billion in debt capital markets and debt facilities

Goodman Group

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Goodman has a well-established and recognised brand as an Australian listed, leading industrial property operator and fund manager, with active businesses in 32 key logistics markets globally. The Group is successfully exporting its sector specialist expertise and proven capability around the world, and with over half of Goodman's property assets now held in international markets, it has built a global business with a reputation for focused execution and a quality product and service offering.

Goodman is well positioned in the current operating environment, which continues to be characterised by the limited supply of quality industrial product, barriers to entry, significantly tighter asset pricing and a surplus of available capital. This is providing Goodman with a competitive advantage, given its global development business and ability to partner with third party capital to selectively create high quality product.

Significant capital flows and the strengthening in asset pricing globally, are presenting conditions in most markets which are attractive for Goodman to selectively rotate assets and recycle capital into development opportunities to drive returns for investors. To date in FY2014, Goodman has transacted, or has under offer, in excess of \$1.3 billion of assets, predominantly in the UK and Australia, with over \$1 billion expected to be undertaken next financial year.

Development activity continues to grow strongly, with structural changes in the occupier market and the undersupply of modern, high quality logistics space driving demand. Goodman's development work in progress is currently \$2.7 billion across 65 projects in 10 countries, ensuring it remains one of the world's largest developers of industrial property. Goodman has also been named the largest European developer¹ for the last three consecutive years, while in Asia, development volumes continue to grow in line with the Group's prudent approach to selecting high quality opportunities.

In North America, Goodman's disciplined, development-led approach has progressed through the land procurement and planning phases to build a prime US\$1.4 billion development pipeline. Goodman recently commenced construction of a US\$150 million development in California's Inland Empire, capitalising on the recovery in key industrial demand drivers (ie. industrial production, retail sales and consumer product inventories), and is expected to further grow its development workbook over the next 12 months. Customer negotiations are proceeding on Oakland Logistics Center, Goodman's first North American development, which was recently completed in April.

The increasing focus on urban renewal in Australia is providing Goodman with significant higher and better use opportunities for a number of properties in the Sydney and Melbourne markets. The Group is progressing its urban renewal strategy with the objective to maximise the value of all identified assets, which is capable of providing in excess of 30,000 residential apartments in those markets.

Goodman's Group Chief Executive Officer, Greg Goodman said: "Goodman experienced robust underlying operational performance in the March quarter. We are benefitting from size and scale, and the breadth of opportunities provided by our diversified and growing global business. Goodman is proudly exporting its proven capability and expertise around the world, with a quality product and service offering and the right infrastructure and people in place, to benefit from the strong customer and investor demand for prime industrial space.

We continue to work hard on the execution of our business strategy, the focused execution of our day to day operational activities, and a disciplined approach to our investment and development decisions. This ensures that Goodman is uniquely positioned to take advantage of future growth opportunities across all of its markets globally."

Operations

Investments

Goodman has achieved significant leasing success in the year to 31 March 2014. Across the Group and managed funds platform, 2.1 million sqm was leased, equating to \$249 million in annual rental income, with positive reversions of 5.2% on new leasing deals.

“Our teams continued to deliver solid leasing results across our global platform, with particularly strong activity in undersupplied markets such as Hong Kong, where we continue to see double digit rental growth. This result highlights the momentum in the underlying property fundamentals, together with our quality product and service offering, and the strength of our customer relationships, all of which are underpinning high occupancy levels and retention rates of 96% and 73% respectively across our portfolios.” said Mr Goodman.

Goodman maintained its focus on active asset management opportunities, capitalising on asset recycling opportunities during the quarter, with \$1.3 billion of assets either sold or under offer to date in FY2014.

Develop

Goodman’s development workbook was \$2.7 billion at quarter end, with active developments underway in all of its operating markets globally and 91% matched to third party capital. For the nine months to March 2014, the Group has also secured \$1.5 billion of new development commitments, with approximately 85% in international markets. Key drivers of Goodman’s development business continue to be the undersupply of prime logistics space and a number of structural changes taking place globally, including the rapid growth in e-commerce.

“In undersupplied prime logistics markets such as China, Japan and North America, we are experiencing greater investor appetite for more speculative led development. These opportunities will be selectively undertaken, consistent with Goodman’s disciplined development approach.

“Goodman’s globally diversified platform, specialist industrial property expertise and available capital ensures we are well positioned to capture the ongoing strong customer and investor demand for our development product and to pursue high quality opportunities in all of our markets.” commented Mr Goodman.

Manage

Third party assets under management increased to \$22.0 billion over the quarter, primarily achieved through the completion of a number of developments.

Global capital flows remain strong for industrial real estate, which is demonstrated by the \$2.0 billion of new third party equity raised in the financial year to date and the demand we have for the second close of the Goodman Japan Core Fund capital raising.

“We continue to work hard to build on our extensive capital partner relationships and this has ensured that our managed funds are well positioned to participate in opportunities from the Group and broader market, with \$5.0 billion in uncalled equity and debt. Combined with asset rotation initiatives, this provides significant momentum and investment capacity to our managed

fund platform and is highlighted by the organic growth achieved in our third party assets under management, which has been primarily driven by development completions.” said Mr Goodman.

Outlook

“Goodman is well positioned as an Australian listed, leading industrial property operator and fund manager. We are in a strong competitive position, having built one of the most geographically diversified and largest operating platforms globally, with a proven specialist capability to deliver a consistent, high quality product for our customers and investors. This is enabling Goodman to capitalise on the high demand for prime industrial space in our key operating markets and the structural changes taking place across the industrial sector globally, by selectively pursuing a range of opportunities to drive future growth.” said Mr Goodman.

The robust property fundamentals and strong contribution from Goodman’s development and management businesses in the third quarter of FY2014 ensures Goodman is well positioned to meet its growth expectations in current and future periods.

- Ends -

For further information, please contact;

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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.

¹ Based on an independent annual survey and research undertaken by PropertyEU.