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Goodman delivering strong Q1 FY2016 operating performance and building for the future

Date 17 November 2015

Release Immediate

Goodman Group (Goodman or Group) has today announced an operational update for the first quarter ended 30 September 2015, with sustained momentum across the Group's global development and management activities driving strong operating performance into the first half of FY2016. The Group is executing on its strategy to deliver sustainable growth through the focus on quality assets, partnerships and capital management, underpinned by disciplined risk management.

Operational highlights

- + Total assets under management increased by \$2 billion to \$32.3 billion, reflecting development completions, currency movements, and strong revaluations resulting from cap rate compression and upward revaluation of urban renewal sites
- + Leased 0.7 million sqm across the Group and Partnerships over the quarter, representing \$83 million of annual rental income
- + Occupancy maintained at 96% across the Group and Partnerships, achieving a weighted average lease expiry of 5.0 years
- + Development work in progress of \$3.4 billion across 78 projects, with a forecast yield on cost of 8.7%
- + Improving quality of assets across the Group and Partnerships – asset rotation providing \$0.6 billion (excluding urban renewal) for reinvestment in development pipeline
- + Disciplined approach to development activities, with 69% of all development completions pre-sold and capital recycled into new projects
- + Urban renewal strategy progressing in line with expectations - \$1.7 billion of sites conditionally contracted in Sydney and \$110 million completed in the quarter
- + External assets under management up 6.6% for the quarter, to \$26.9 billion
- + Partnerships implementing develop to hold strategy, with significant uncalled capital and proceeds from asset sales to fund growth opportunities
- + Reaffirming forecast FY2016 full year operating earnings per security of 39.4 cents, up 6% on FY2015

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Goodman's Group Chief Executive Officer, Greg Goodman said: "We have made a strong start to FY2016, with operating performance reflecting the quality of Goodman's global platform and disciplined execution of our strategy. We remain focused on improving the quality of our properties and income in this part of the cycle, by rotating assets and reinvesting in the strength of our development business. Importantly, we are managing our business for the long term, taking a 'through the cycle' approach to our planning, to build a first class portfolio."

Investments

The quality of Goodman's property portfolio and customers is reflected in the sound underlying property fundamentals experienced across Goodman's operating regions. Solid leasing activity in the quarter resulted in 0.7 million sqm of space leased across the Group and Partnerships globally, ensuring overall portfolio occupancy remained stable at 96%, a level consistently maintained since 2011. The leasing success achieved has equated to \$83 million of annual net property income, with positive reversions of 6.4% per annum on new leases, primarily attributable to contributions from Hong Kong. Total assets under management increased to over \$32 billion as at 30 September, largely driven by \$0.7 billion of development completions on the back of a growing development work book, ongoing cap rate compression and currency movements.

Goodman continued to take advantage of the market demand for industrial properties, which is providing ongoing opportunities to selectively rotate assets. The Group and Partnerships completed \$0.6 billion of asset sales (excluding urban renewal sites) during the quarter, with Goodman's asset rotation activities being undertaken at levels consistent with FY2015. In Australia, for example, \$0.3 billion of properties were sold, taking advantage of the liquidity in investment markets. This is providing capital for reinvestment in Goodman's development activities to improve overall portfolio and income quality, and in turn drive sustainable long-term growth.

Urban renewal

Significant progress was made in the roll out of the Group's urban renewal strategy during the quarter, with positive planning outcomes continuing to be achieved on a number of sites. Goodman is working through its current urban renewal pipeline and continues to benefit from the ongoing evolution of urban renewal precincts and identification of new sites across its portfolio. This has enabled the Group to maintain its urban renewal pipeline at approximately 35,000 apartments, which is in addition to the sale of 10,000 apartment sites completed or conditionally contracted to date.

Highlighting the strong demand for re-zoned residential sites, Goodman has \$1.7 billion of sites conditionally contracted in Sydney. In the first quarter, \$110 million was settled and further settlements will occur over the next three years, providing a substantial long-term source of capital to fund opportunities across the Group and Partnerships. Separately, higher valuations from certain Goodman urban renewal sites are expected to contribute significantly to overall first half FY2016 asset revaluations.

Developments

Goodman's development business performed strongly in the first quarter, with significant activity repeated across its operating regions. As a result, development work in progress increased to \$3.4 billion, driven by higher development volumes and customer demand for efficient, high quality and well-located assets. The Group's specialist industrial product offering is also benefitting from ongoing structural changes, including the rapid growth of the e-commerce sector, cross border trade and infrastructure improvements. With development continuing to provide the best risk-adjusted returns in this part of the cycle, Goodman remains focused on the

disciplined roll out of its development pipeline, while at the same time maintaining a strong balance sheet position.

Key highlights for the quarter included the US, where the build out of Goodman's land bank is progressing, with development activity increasing in response to growing customer demand, which is driving its development and investment pipeline toward US\$3 billion.

Continental Europe continues to benefit from the ongoing strong demand for new developments, particularly from third party logistics, e-commerce and retail customers, with volumes increasing to over 800,000 sqm, of which 93% is pre-committed.

Finally in China, Goodman's approach remains focused on targeted top tier cities, where we continue to adopt a prudent and steady work book and operate within the respective capital limits for that market.

Management

Goodman's \$26.9 billion investment management platform is well supported by global investment Partners and recognised as a leader in its sector. With the ongoing strength of property capital markets, Goodman's Partnerships completed a number of ongoing asset rotation initiatives during the quarter, providing a key source of capital for the develop to hold strategy being increasingly implemented across the Partnership platform. This will improve portfolio quality and maintainability of income by providing investment Partners with access to growth opportunities in proven locations that are not readily available on the open market.

Highlighting the support from its Partners during the quarter, the Group established the Goodman UK Logistics Partnership with APG Asset Management and Canada Pension Plan Investment Board. The new Partnership will provide over £1 billion of investment capacity for high quality UK logistics and industrial development opportunities.

Outlook

Goodman's strategy remains unchanged in the context of the current global economic environment. As a result, Goodman continues to focus on improving asset and income quality across its portfolio, through ongoing asset rotation initiatives and the reinvestment of capital into its high quality development business. Further positive revaluations are expected across Goodman's property assets, which will result in further deleveraging. The Group has commenced FY2016 strongly and accordingly, reaffirms its forecast full year FY2016 operating earnings per security of 39.4 cents, up 6% on FY2015.

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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 and Goodman Industrial Trust, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist investment managers of industrial property and business space globally.

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

For more information: www.goodman.com

