

Goodman Group

Q1 2016 operational update

17 November 2015

Goodman



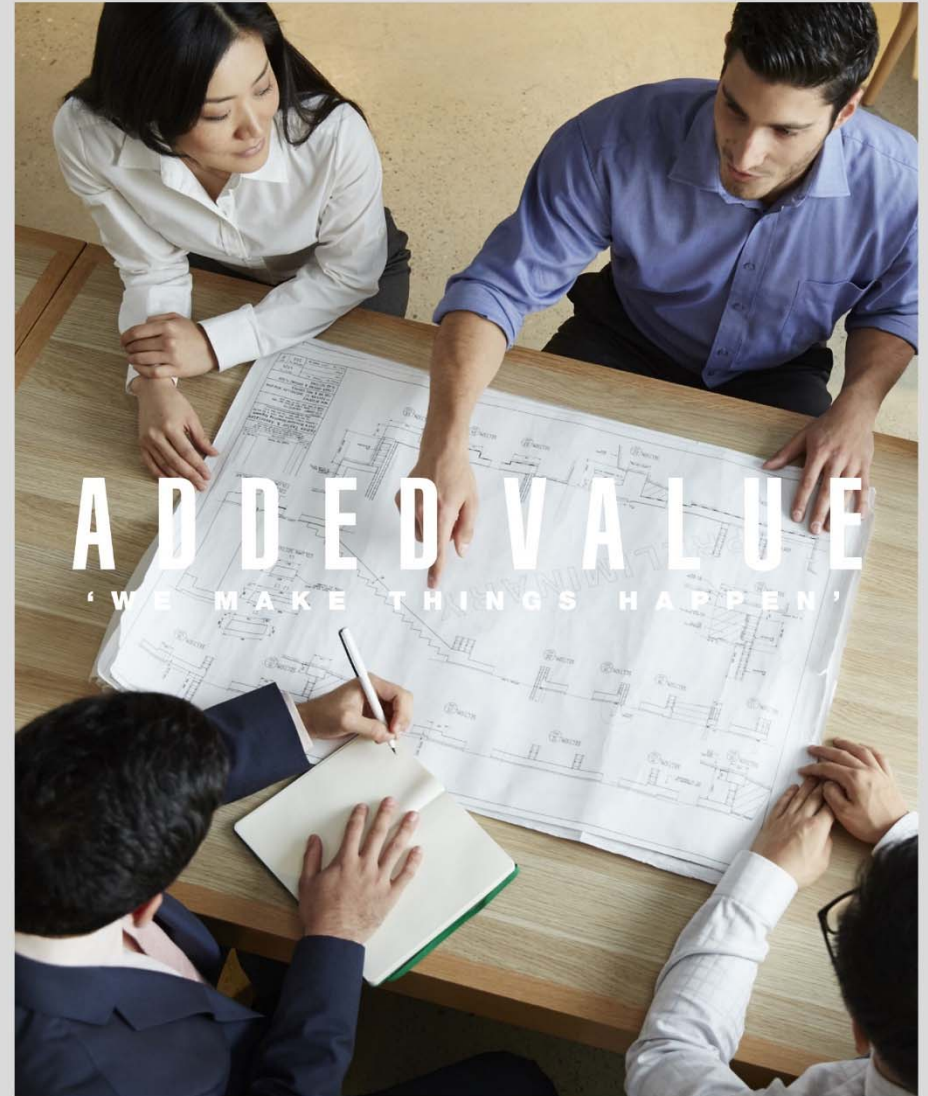
Goodman Group

\$32.3 bn
assets under management

\$3.4 bn
development work in progress

96%
occupancy

1,118
dedicated people



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+ Section 1

Quarterly Operational Highlights



Quarterly operational highlights

+ **Current global economic environment is resulting in the following**

- Goodman's strategy has remained unchanged
- Focus remains on improving asset and income quality across the portfolio
- Asset rotation continuing at the same pace as 2015 with \$0.6 billion disposed in the quarter (excluding urban renewal sites)
- Re-investment of capital into high quality development activities
- Continued demand for yield is driving capital values higher, resulting in further deleveraging
- Focus remains on sustainable long term growth

+ **Developments continuing to provide the best “risk-adjusted” returns**

- Structural and cyclical themes unchanged which is driving customer led development
- E-commerce, outsourcing, supply chain efficiencies, cross border trade and infrastructure improvements are all positive contributors to development activity
- Europe and US are the main contributors to increased development work in progress while other markets remain stable
- Development work in progress of \$3.4 billion across 78 projects with a forecast yield on cost of 8.7%

+ **Strong capital partners supporting the global platform and fully integrated business model**

- Continuing the move to a “develop to hold” strategy, demonstrated by the establishment of the UK Logistics Partnership
- Investment Management platform recognised as a global leader of quality real estate assets with a team that has the expertise to execute on transactions
- Total assets under management of \$32 billion with external assets under management of \$27 billion

Quarterly operational highlights

+ Globally diversified platform providing sustainable growth opportunities

- **Australia:** Continued cap rate compression on the back of recent market transactions. Recycled \$0.3 billion of property assets in the quarter
- **New Zealand:** development workbook maintained due to customer demand; 74% is pre-committed
- **Greater China:** Focus remains on selective, quality developments in targeted tier one cities and operating within capital allocation for mainland China. Hong Kong benefiting from supply constraints
- **Japan:** Development pipeline providing the best means of accessing quality investment product, supported by capital partners
- **Europe:** Maintained strong operational performance across Europe with 98% occupancy. Increased occupier demand for new developments increasing WIP to over 800,000 sqm, 93% of which is pre-committed
- **UK:** Strong property capital markets are leading capital partners to a “develop to hold” strategy
- **North America:** Development activity driven by customer demand. Continued focus on land procurement and land entitlement process
- **Brazil:** A prudent, low risk approach remains on tier one cities of São Paulo and Rio de Janeiro and operating within our capital allocation

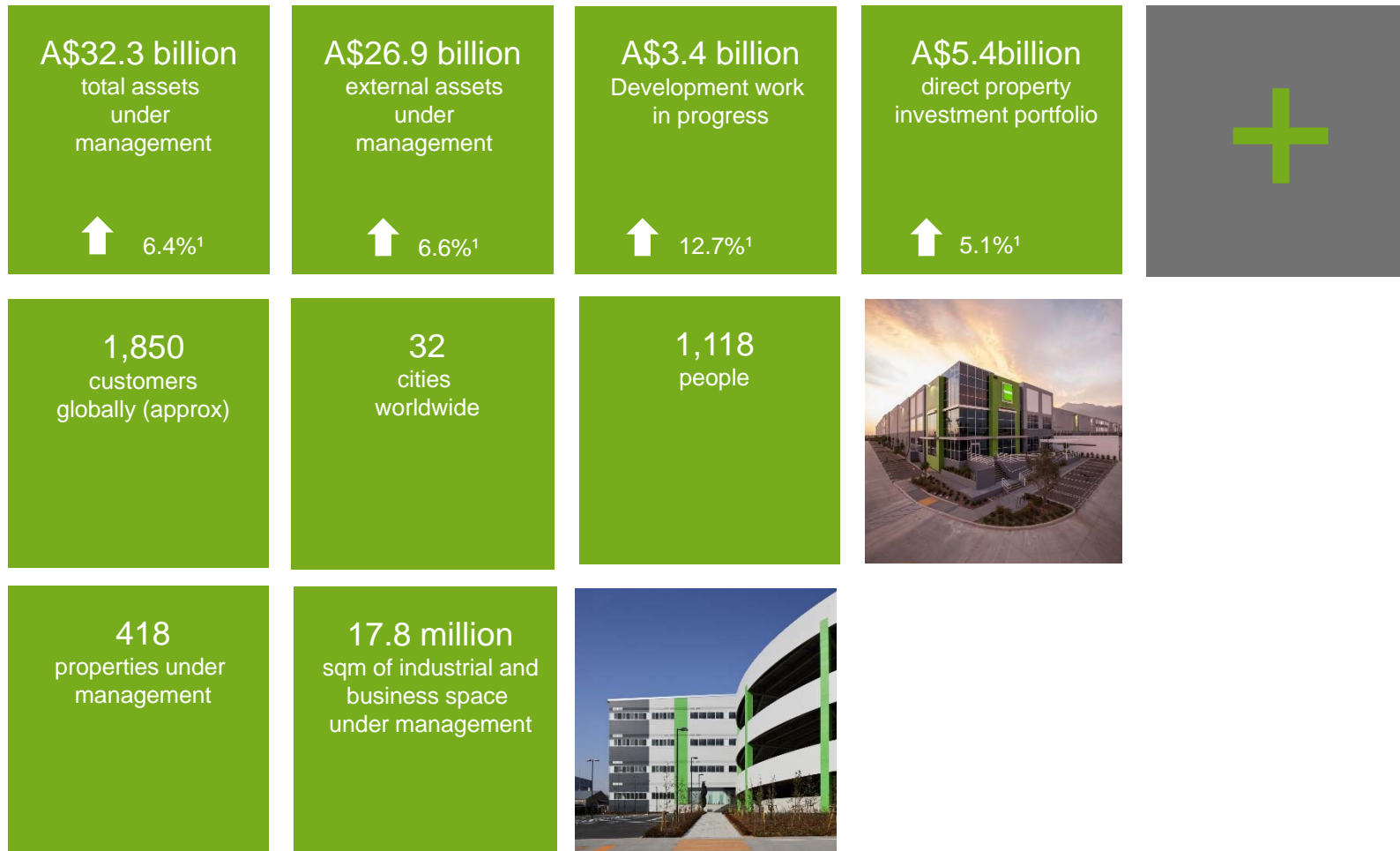
+ Urban renewal sites in Australia continuing to be contracted

- Conditionally contracted \$1.7 billion of sites in Sydney and completed \$110 million in the quarter
- Urban renewal precincts continuing to evolve. Maintained pipeline of approximately 35,000 apartments in Sydney and Melbourne, over and above the 10,000 apartment sites completed and conditionally contracted to date
- Continuing contributor to asset revaluations and increase in net tangible assets

+ Reaffirm forecast FY2016 full year operating earnings per security of 39.4 cents, up 6% on FY2015

- Strong first quarter operating performance continuing into the first half of the financial year

Snapshot



1. % increases based on 30 June 2015 reported numbers

Quarterly operational highlights - Own

- + Property fundamentals remain sound across all markets, reflecting the quality of assets and customers
 - Leased 0.7 million sqm across the platform over the quarter equating to \$83 million of annual net property income
 - Maintained occupancy at 96% since 2011
 - Retention remains high at 77%
 - WALE of 5.0 years
 - Positive reversions of 6.4% per annum on new leasing deals primarily attributable to contributions from Hong Kong

- + Investment yields expected to firm coming into 2015 on the back of recent market transactions
 - Further revaluation gains to continue in first half results

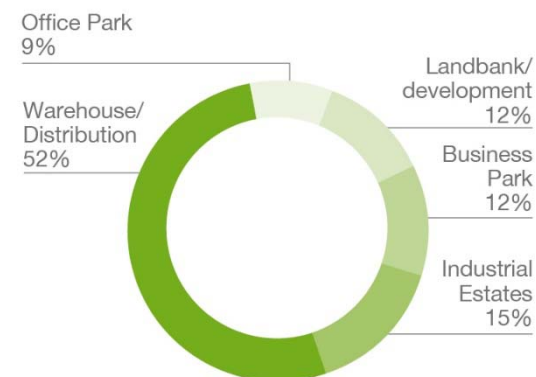
- + Asset recycling active across all markets
 - \$0.6 billion completed to date (excluding urban renewal sites) across the Group and Partnerships
 - Improving quality of portfolio and quality of income being generated
 - Asset recycling expected to be consistent with 2015 with \$1 billion under offer or in due diligence

- + Globally, demand and pricing of real estate assets remains strong due to the current low interest rate environment
 - Continued cap rate compression expected globally

Total assets under management



Total AUM by type



Quarterly operational highlights - Develop

- + Development workbook of \$3.4 billion across 78 projects with a forecast yield on cost of 8.7%
 - Active development book with a focus on location and quality
 - Globally diverse development workbook with globally diverse customers

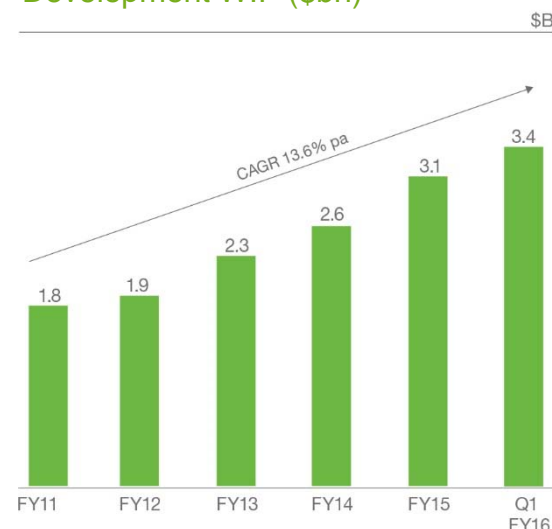
- + Development commencements of \$0.9 billion for the quarter with 73% pre-committed
 - 60% of commencements were from Europe

- + Development completions of \$0.7 billion for the quarter

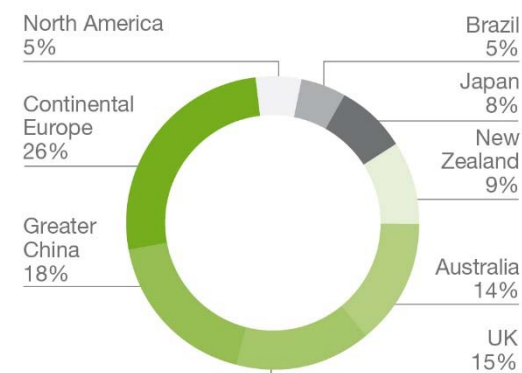
- + North America to be a significant contributor to development commencements leading into December 2015

- + Disciplined risk management practices applied to development activities, low gearing, capital recycling and constant monitoring of supply and demand
 - Capital partnering of development projects now standard practice
 - Board oversight on overall development volume and exposure

Development WIP (\$bn)



Work in progress as at 30 September 2015



Quarterly operational highlights - Manage

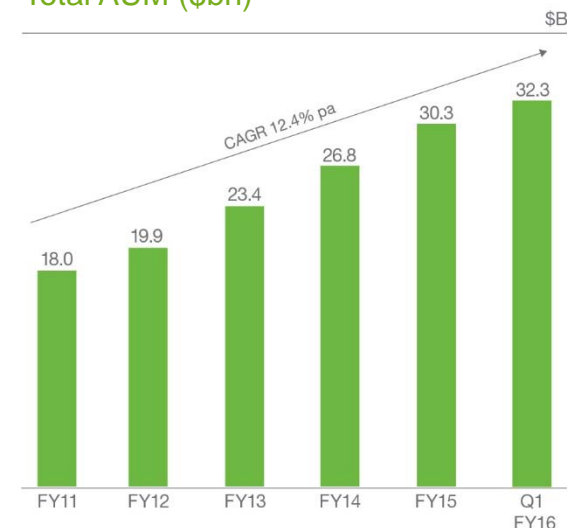
- + Continued growth in AUM to \$32 billion driven by
 - Growing development work book
 - Revaluations and favourable FX movements

- + \$0.6 billion of asset recycling enhancing the quality of portfolios
 - Primary funding source of developments

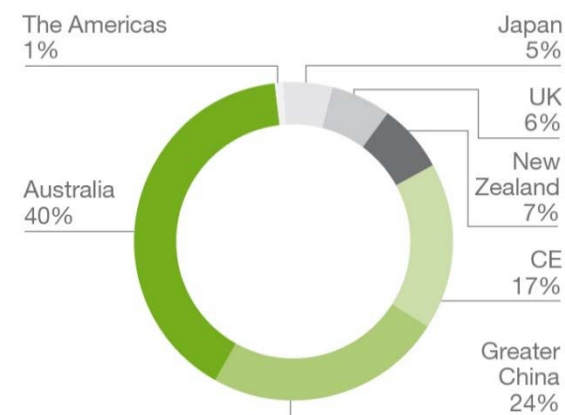
- + Major achievements completed during the quarter include
 - Established a £1 billion UK Logistics Partnership with CPPIB and APG
 - GAP rated BBB / Stable by Standard & Poor's

- + \$1.6 billion of debt refinancing
 - Average debt expiry of 4.6 years on new facilities
 - Continued access into the unsecured debt capital markets, including A\$258 million USPP issued by GAP with 10,12 and 15 year maturities

Total AUM (\$bn)



Total AUM by geography





+ Section 2
Urban Renewal



Australian urban renewal pipeline

- + Deliberate strategy of ensuring returns are optimised for individual properties
- + Sale of \$1.8 billion of sites completed and conditionally contracted representing approximately 10,000 apartment sites
 - \$110 million settled in the quarter
 - International buyers continue to dominate the buyer profile
- + Proceeds from sales to be realised over the next three years
 - Currently the Group's lowest cost of capital and ensures it is self funded
 - Long term capital for future opportunities for the Group and Australian Partnerships
- + Urban renewal continuing to expand and evolve in both Sydney and Melbourne
 - State and local governments are both motivated to encourage urban renewal
 - Additional precincts emerging both short and longer term
 - Current pipeline remains at approximately 35,000 apartments, excluding the 10,000 already completed and conditionally contracted
- + Goodman benefiting from the relocation of customers resulting from the change in use of traditional industrial precincts
- + Further revaluations to emerge leading into December 2015
 - Continued deleveraging of the balance sheet
 - Revaluations excluded from operating profit

Australian urban renewal pipeline

Entity	State	Region	Site Area (ha)	Potential GFA (sqm)	Approx # of apartments
Partnership	NSW	Northern Sydney	1.3	59,778	809
GMG	NSW	South Sydney	9.0	186,153	2,396
GMG	NSW	Western Sydney	27.2	546,622	6,667
Completed and conditionally contracted			37.5	792,553	9,872
Partnerships	NSW	Northern Sydney	10.4	306,388	3,758
Partnerships	NSW	Western Sydney	25.7	959,950	11,315
Projects with short to medium term outcomes			36.1	1,266,338	15,073
GMG / Partnerships	VIC	Port Melbourne	29.4	606,000	8,000
Partnerships	NSW	Northern Sydney	2.6	61,843	773
Partnership	NSW	Inner Western Sydney	9.6	228,139	2,853
GMG	VIC	South East Melbourne	31.0	560,880	6,840
Partnership	NSW	South Sydney	4.0	99,500	1,244
Projects with medium to longer term outcomes			76.6	1,556,362	19,710
Future pipeline			112.7	2,822,700	34,783

+ Appendices



Leasing¹

Across the Group and Funds platform:

- + 0.7 million sqm leased during the quarter
- + Reversions of 6.4% per annum on new leasing deals primarily attributable to contributions from Hong Kong
- + Occupancy maintained at 96%

Region	Leasing area (sqm)	Net annual rent (A\$m)	Average lease term (years)
Australia	139,508	20.3	4.3
New Zealand	27,435	2.7	3.7
Greater China	178,120	29.9	3.2
Japan	12,086	2.1	5.0
UK	7,812	5.5	7.7
Europe	343,164	22.2	3.2
Total	708,125	82.8	3.8

1. Leasing for investment properties only and excludes developments for the 3 months to 30 September 2015

Development

Q1 FY16 Developments	Completions	Commencements	Work in progress
Value (\$m)	708	908	3,430
Area (m sqm)	0.5	0.8	2.2
Yield (%)	8.5	8.1	8.7
Pre-committed (%)	75	73	66
Weighted Average Lease Term (years)	8.8	9.3	10.6
Development for Third Parties or Partnerships (%)	69	33	63
Australia / New Zealand (%) of WIP	33	14	24
Asia (%) of WIP	16	11	26
Americas (%) of WIP	19	15	10
Europe (%) of WIP	31	60	40

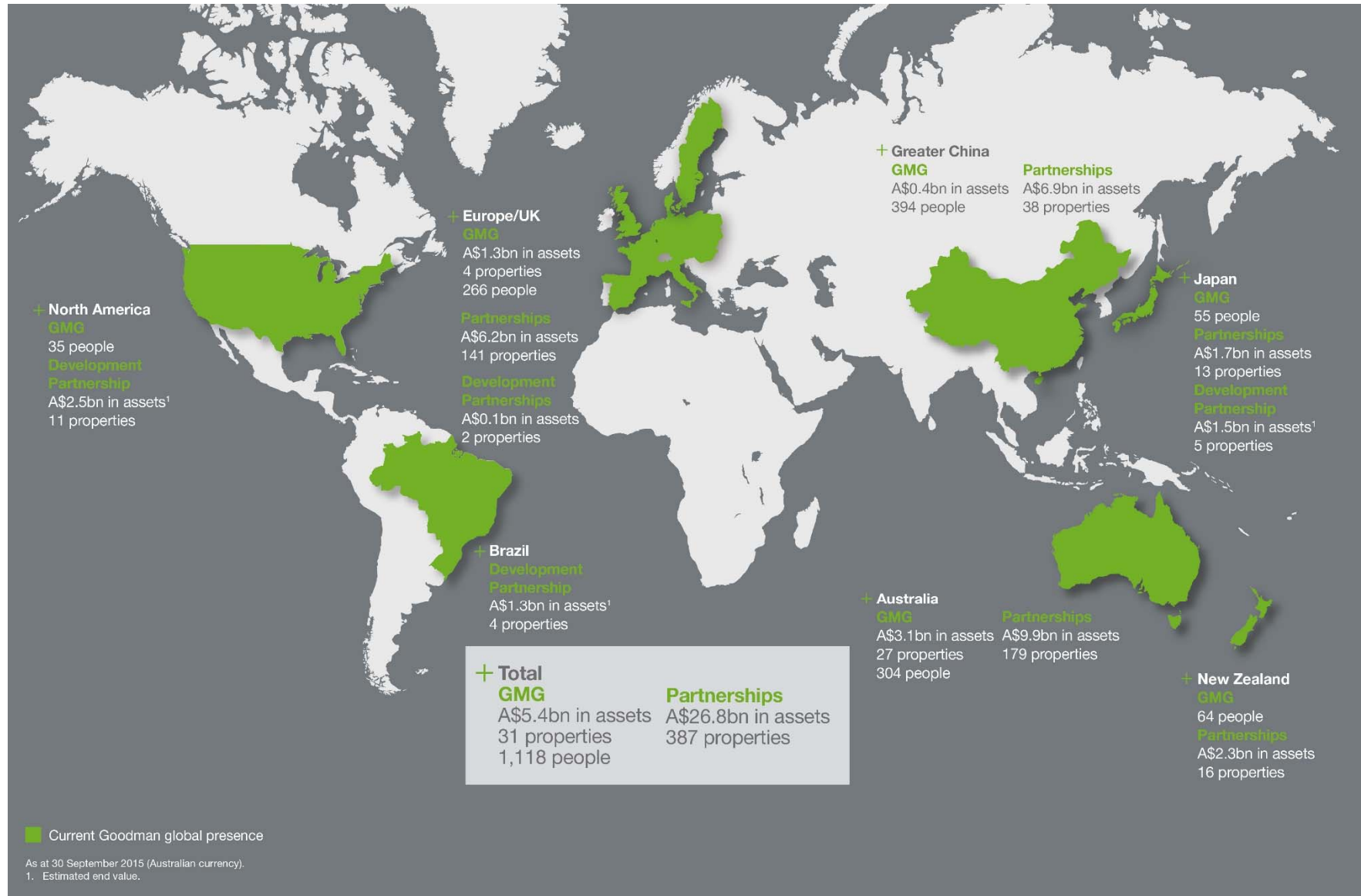
Work in progress by region	On balance sheet end value \$m	Partnerships end value \$m	Total end value \$m	Partnerships % of total	Pre committed % of total
Australia / New Zealand	143	664	807	82	82
Asia	225	662	887	75	33
Americas	-	348	348	100	54
Europe	907	481	1,388	35	82
Total	1,275	2,155	3,430	63	66

Management platform

	GAIP	GHKLP	GAP	GEP	GCLP	GMT ¹	GJCP ²	ABPP
								
Total assets	\$6.1bn	\$4.4bn	\$3.5bn	\$3.9bn	\$2.2bn	\$2.1bn	\$1.7bn	\$1.3bn
GMG co-investment	27.5%	20.0%	19.9%	20.4%	20.0%	18.0%	20.0% ³	43.1%
GMG co-investment	\$1.0bn	\$0.7bn	\$0.5bn	\$0.5bn	\$0.3bn	\$0.2bn	\$0.2bn ³	\$0.3bn
Number of properties	117	14	58	100	24	16	13	7
Occupancy	96%	99%	96%	98%	96%	96%	100%	94%
Weighted average lease expiry⁴	5.6 years	2.5 years	4.4 years	4.8 years	3.7 years	5.2 years	4.6 years	6.2 years

1. As at 30 September 2015 (as disclosed to the New Zealand stock exchange in November 2015)
2. As at 31 August 2015
3. As at 30 September 2015
4. WALE of leased portfolio to next break as at 30 September 2015

Global platform





Thank+you

