GROWTHPOINT PROPERTIES LIMITIED YEAR END RESULTS PRESS RELEASE

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Growthpoint beats guidance to deliver 8.3% full-year distribution growth to investors

Growthpoint Properties Limited today reported distribution growth of 8.3% for the full year to 30 June 2014, comfortably outperforming market guidance of around 7.2%. Growthpoint's net asset value increased by a significant 14,0% to R22,15 per share.

Norbert Sasse, CEO of Growthpoint Properties Limited, attributes the positive results to solid performance from Growthpoint's investments, stringent cost containment and its continued growth story.

He also notes growing distributions from Growthpoint's 64% holding in Growthpoint Properties Australia (GOZ) which enhanced results, with exchange rates moving in Growthpoint's favour.

"Notwithstanding a tough operating environment, we're pleased to report positive performance for our investors and to announce results above expectations," says Sasse. "We also delivered on our objective to grow and nurture a portfolio of quality properties. During the year, our total level of new investment amounted to approximately R15 billion. This represents immense growth and exceeds the value of our total property assets in 2007 when Growthpoint left Investec and became independent."

Growthpoint acquired two property portfolios in Gauteng with property assets of R7,0 billion: Abseq for R1,3 billion at a 8.7% forward yield and Tiber for R5,7 billion at a 7.7% forward yield which transferred on 1 January and 1 March 2014 respectively. It also acquired interests in Acucap and Sycom in April 2014 for R4,5 billion, which provide Growthpoint with a strategic interest and indirect exposure to a combined R18,4 billion of retail and office properties. All these transactions had a positive impact on Growthpoint's results.

In order to fund the substantial growth in its investments, Growthpoint raised about R9 billion of new equity capital, growing its shares in issue by around 20%. "By doing this, we've avoided taking a significant amount of debt and ensured our gearing and risk remains low," says Sasse.

Growthpoint South Africa closed the year with a loan-to-value ratio of 27.4% representing conservative gearing, which has normalised, coming off an artificial low at the half year. Its debt was well hedged with 78.4% of interest rate exposure fixed with a weighted average term of debt of 3.5 years, an average fixed interest rate hedge profile of 4.3 years and an all-in weighted average rate of 9.4%. "This places Growthpoint in a good position in an increasing interest rate environment," says Sasse. Growthpoint also benefits from diverse sources of funding.

While growing its portfolio of assets, Growthpoint also bolstered its management capacity and increased employee numbers, largely through its Abseq and Tiber transactions. During the year Growthpoint's staff complement grew by around 60 people to 528 employees.

"In this tough environment Growthpoint is taking the time to bed down our growth and be incredibly competitive. This ensures we are able to deliver the best service to our clients and our buildings are the most attractive," stresses Sasse.

JSE ALSI Top 40 Index Company Growthpoint owns and manages a diversified portfolio of 434 directly owned properties in South Africa, 51 properties in Australia through its investment in GOZ and a 50% interest in the properties at V&A Waterfront, Cape Town. At the end of its financial year it also held R4,5 billion in listed investments, being a 34.9% stake in Acucap Properties and 23.2% in Sycom Property Fund. Pursuant to its year end, Growthpoint took up the switch offer from Acucap which changed its holding to 34.7% in Acucap and 15% in Sycom.

This is the first year that Growthpoint has traded as a REIT company. Growthpoint became the largest South African REIT on the JSE from 1 July 2013. It also successfully converted its capital structure, from property loan stock linked units to REIT ordinary shares of no par value. It is the most liquid and tradable way to own commercial property in South Africa.

Growthpoint's South African property portfolio contributed 75.8% to its distributable income. Despite tough local conditions, it delivered a substantial increase in revenue of 10.1% mainly due to the Abseq and Tiber acquisitions. Vacancies shifted slightly higher by 0.5% to 4.9% overall, with the shift coming mainly from the office and retail portfolios as well as vacancies forming part of properties acquired during the period. In the face of continued increasing cost pressures, Growthpoint maintained its cost-to-income ratio for the portfolio at the 24.8% mark. Portfolio arrears increased marginally, but already low bad debt write-offs improved slightly. In addition to its major transactions in South Africa, Growthpoint acquired eight portions of land, one industrial property and one office property for R490 million and disposed of 14 non-core properties for R651 million, a profit of R132 million on cost. It also invested R1 billion in value-enhancing redevelopments and improvements. In addition, Growthpoint has a R2,1 billion development pipeline in South Africa, including the new Discovery head office in Sandton.

Distributions from Growthpoint's strategic holding in GOZ grew 13.5% in ZAR on a like-for-like per unit basis, making a noteworthy 14.7% contribution to its total distributable income. It achieved an average hedge rate of AUD1:ZAR9.57 Growthpoint elected to reinvest its distributions from both GOZ Distribution Reinvestment Programmes during the year, and also participated in both its rights issues, increasing its investment in GOZ from R3,4 billion to R5,3 billion during the period. GOZ continued to invest in quality commercial Australian real estate, acquiring AUD352,9 million of office and industrial properties in its biggest year to date for acquisitive growth.

Distributions from Growthpoint's 50% stake in the V&A Waterfront increased by 9.5% on a like-for-like basis and contributed 9.5% to distributable income. Sasse comments, "The V&A Waterfront seems largely insulated from the challenging conditions impacting commercial property in South Africa. This is partly driven by tourism and the weaker Rand as well as a revival of support from our locals. Its retail sales recorded year-on-year growth of 21.5% and there is keen demand from retailers, and general demand across all uses. It is winning mandates for new corporate head offices and its hotel market is picking up." Growthpoint invested R276 million in development and capital projects at the V&A Waterfront during the period. It has also committed R496 million for its contribution to new, enhancing developments, including the iconic development of the new Zeitz Museum of Contemporary Art Africa in the historic Grain Silo.

During the year, Growthpoint also entered into share buyback agreements with beneficiaries of Growthpoint's BEE shareholders to purchase approximately 33,5 million Growthpoint shares at a price of R20.74 per Growthpoint share.

With low-growth macroeconomic conditions, rising interest rates and soft demand across all property sectors, Sasse notes that Growthpoint's operating environment is set to remain challenging in the year ahead. "Even with these economic headwinds, Growthpoint is in a strong position and is likely to deliver growth in distributions for shareholders in FY2015 in line with our average five-year distribution growth rate of between 7.0% and 7.5%" says Sasse. "We will continue to identify and pursue revenue enhancing opportunities to further our objective of delivering sustainable income distributions and capital appreciation for shareholders."

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