THE PLACE, 1 SANDTON DRIVE, SANDTON,
GAUTENG, 2196, SOUTH AFRICA
TEL: +27 (0)11 944 6000 **FAX:** +27 (0)11 944 6005
PO BOX 78949, SANDTON, 2146, SOUTH AFRICA
DOCEX: 48 SANDTON SQUARE **EMAIL:** info@growthpoint.co.za

MEDIA RELEASE FROM GROWTHPOINT PROPERTIES

01 September 2016

Growthpoint delivers 6% full year distribution growth and achieves key strategic successes

Growthpoint Properties Limited today posted distribution growth of 6% for its full year to 30 June 2016, delivering results at the top of its market guidance.

It boosted its annual distributions to shareholders by 19.8%, for the first time going over R5bn for the year. Growthpoint also increased its gross revenue by 26.1% and raised its asset value to R112,5bn.

Norbert Sasse, CEO of Growthpoint Properties Limited, attributes the solid set of results to a good performance from Growthpoint's investments as a whole, as a result of maintaining high occupancy levels, achieving strong leasing results, and keeping costs well contained. Growthpoint's overall expense ratio for its South African portfolio improved slightly from 27.8% to 27.2%.

Growing distributions from Growthpoint's 65.5% holding in Growthpoint Properties Australia (GOZ) impacted results positively, amplified by slightly improved exchange rates and effective currency hedging. Significantly improved performance from the V&A Waterfront also had a positive effect.

Commenting on the results, Sasse says: *"Growthpoint has delivered a positive performance in a tough year. Volatile financial markets, an increasing interest rate environment, depressed local and global growth and soft property demand dynamics created an extremely difficult operating environment. Against this backdrop, we're pleased to report results slightly ahead of budget that sustain our shareholder returns and represent significant strategic progress in our business."*

Growthpoint is the largest South African primary listed REIT with the vision to be a leading international property company providing space to thrive. It creates value for all its stakeholders through innovative and sustainable property solutions.

The 35th largest company on the JSE, Growthpoint is a Top 5 constituent of the FTSE EPRA/NAREIT Emerging Index and has been included in the FTSE/JSE Responsible Investment Index for the seventh year running. It is the most liquid and tradable way to own commercial property in South Africa.

It owns and manages a diversified portfolio of 526 property assets spanning 6,8 million square metres. This includes 467 properties in South Africa valued at R73,8bn, 58 properties in Australia valued at R30,9bn through its investment in GOZ and Growthpoint's 50% interest in the properties at V&A Waterfront, Cape Town, valued at R7,8bn. Its size and diversity make it strongly defensive.

Growthpoint's South African balance sheet remains well capitalised and it kept gearing at conservative levels, decreasing from 32.1% to 30.5%. Some 86.6% of Growthpoint's debt is fixed for

3.4 years on average. With its leading Aaa.za Moody's National Scale credit rating, Growthpoint enjoys good access to funding and the support of good quality borrowers. This year, it also introduced cross-currency interest rate swaps to its treasury management, decreasing the weighted average cost of debt from 9.3% to 8.5%. It also raised R1,7bn in new equity through its Distribution Re-Investment Programme.

Digesting its record high levels of transaction activity in the preceding year was a key focus for Growthpoint in FY16, specifically consolidating its takeover of Acucap and Sycom.

Sasse reports: *"We focused on strategic issues, successfully bedding down our major transaction and integrating 160 new employees across all structures, with minimal disruption to the business as a whole. We also established a new vision, mission and values and identified various strategic initiatives. This supports greater alignment, teamwork and performance, and equips everyone with a clear understanding of where we are going and how we want to get there."*

Growthpoint's South African portfolio contributed 75.9% to its total distributable income and, with the Acucap portfolio included for its first full year, it achieved revenue growth of 28.7%. What's more, Growthpoint maintained occupancy levels at 94.3% in its South African portfolio. It achieved a total letting success rate of 82.4%, leasing a whopping 1.5 million square metres of commercial property space – equal to the entire Sandton CBD or the combined areas of the V&A Waterfront, Cape Town CBD, Claremont and Century City. It reported a renewal success rate of 68.7%.

Growthpoint invested R2,4bn in developments and improvements to its South African portfolio. It also acquired R840,5m of assets, disposed of R1,1bn of non-core properties, and committed R1,7bn to future developments.

Revenue from the V&A Waterfront contributed 8.5% to Growthpoint's total distributable income, and was up 16.6% from the prior year. Its improved performance was driven by a 13% increase in trading densities and 22% year-on-year sales growth from retail owing to the weaker ZAR, increased tourism and an enhanced tenant mix. Overall vacancies reduced further from 2.6% to 1.4% and it achieved a total letting success rate of 90.3%.

The success of the V&A Waterfront spurred further demand for space from top businesses, resulting in significant activity with Growthpoint's capital contribution of R420,0m. Development is mostly complete in the Silo Precinct and the focus has shifted to the Canal Precinct. In addition, Growthpoint committed a further R483,0m as its contribution to projects at the V&A Waterfront.

GOZ had a great year, delivering a 7.4% total return to shareholders on the Australian Stock Exchange. It is the best performing A-REIT over five years. Dividend contributions from GOZ grew 17.1% in ZAR compared with FY15, with GOZ contributing 15.2% to Growthpoint's total distributable income.

After becoming a constituent of the ASX200 in FY15, the trading, liquidity and institutional appetite for the GOZ share improved significantly. Growthpoint invested an additional R398m into GOZ during the year by electing to reinvest its distributions.

GOZ made R3,4bn of acquisitions during the year, invested R441,3m in development and capital projects and committed a further R496,7m to investments. It is set to take over GPT Metropolitan Office Fund (GMF) which, with the acquisition of Dorcas Street, Melbourne, stands to increase its gross asset value to around AUD3,5 billion and its market capitalisation over AUD2 billion. In FY16 it achieved a total letting success rate of 93.3%, with vacancy levels at a low 1.0%.

Growthpoint's entry point into Africa is through its Africa Fund, in partnership with Investec Asset Management and the IFC. It is currently conducting roadshows to investors in anticipation of its first close, which should be before the end of 2016.

Looking to the future in South Africa, Growthpoint expects stable property fundamentals within a weak macroeconomic environment, limited growth and the potential for a sovereign debt downgrade. Yet, in the face of this poor outlook, it also sees strong strategic prospects for its business.

"*This presents the opportunity to grow the contributions to Growthpoint's non-SA distributable income from our internationalisation strategy, funds management and through trading and development,"* Sasse notes.

GOZ has forecast to grow its distributions per share in AUD at 3.9% for FY17. The strong property fundamentals in Australia represent positive yields and yield-spreads and good opportunities exist for GOZ to make accretive acquisitions, even in a competitive investment market.

"For Growthpoint, GOZ represents seven years of experience growing a successful business in a first-world economy. It has done well for us as another stable, good-quality income stream and we will continue to support and encourage its increased pace of growth," confirms Sasse.

V&A Waterfront's strong property dynamics support continued growth, with significant development in the Silo and Canal precincts districts converting to revenue-generating investments. *"Here, we have a good development pipeline as well as the opportunity to acquire more bulk,"* says Sasse.

With the combined effects of these drivers and strategic objectives, Growthpoint expects to achieve dividend growth for the coming year at a similar level as FY16.

"In this difficult environment, Growthpoint will remain driven by opportunity and demand. We'll actively seek ways to outperform and continue to create sustainable value for our shareholders," concludes Sasse.

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RELEASED BY:
Growthpoint Properties Limited
CEO, Norbert Sasse
Tel: +27 (0) 11 944 6249
www.growthpoint.co.za

marketing concepts

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1st Floor, Wierda Court, 107 Johan Avenue, Wierda Valley, Sandton

T +27 (0) 11 783 0700 F +27 (0) 11 783 3702