

Q3 FY24 OPERATIONAL UPDATE

8 May 2024

Goodman



Artist impression: Data centre development, Los Angeles, USA.

Goodman Group delivered a strong operating performance for third quarter of FY24, positioning the business well for the full year and into 2025. We have upgraded expected Operating EPS growth for FY24 to 13%.

"Our active asset management continues to optimise returns for our investors as we deliver essential infrastructure for the expanding digital economy.

The location and quality of our properties enables increased productivity, driving demand as our logistics customers are seeking to improve their supply chain efficiency using automation and offering faster transit times. We continue to develop large-scale, high value, data centres, and expand our global power bank to address growing data centre demand as AI usage and cloud computing expands.

During the quarter we internalised the management of the NZX-listed Goodman Property Trust providing a platform for growth for GMT. We continue to review our assets and capital allocation globally, and expect further recycling of capital over time.

We expect continued volatility in real estate markets globally, however the Group and Partnerships are well placed and have strong balance sheets. The Group has no drawn debt maturities until late 2025 with significant liquidity following our recent bank and Bond market activity. We are well placed to adapt to the macroeconomic environment, including the higher global cost of capital, allowing us to pursue opportunities for growth."

- Greg Goodman, Group CEO

KEY HIGHLIGHTS¹

As at 31 March 2024

- + \$12.9 billion of development work in progress² (WIP) across 82 projects
- + Completed \$0.8 billion of developments in the quarter with 96% of year-to-date completions committed
- + 4.9% like-for-like net property income (NPI) growth on properties³ in our Partnerships
- + 98%³ occupancy across the Partnerships
- + \$80.5 billion total property portfolio⁴
- + Revised forecast FY24 Operating EPS growth to 13%



Artist impression: Data centre development, Sydney, Australia.



\$80.5bn
TOTAL PORTFOLIO⁴



\$12.9bn²
DEVELOPMENT WIP



98%³
OCCUPANCY

1. All figures in AUD

2. Based on estimated end value and includes developments undertaken in the NZ listed entity "Goodman Property Trust. Excluding GMT WIP would be \$12.7bn

3. Partnership industrial and warehouse assets (excludes office properties earmarked for redevelopment) and represents 97% of Partnership assets. 12 month rolling basis

4. Total portfolio includes New Zealand



PROPERTY INVESTMENT

Logistics customers continue to optimise productivity (including using automation and technology) with the structural drivers of the digital economy continuing to drive demand. This, and the limited supply of space in our markets are supporting the underlying property fundamentals in our portfolio, with high levels of occupancy and income growth. Property fundamentals are weaker in the Mainland China portfolio, but this is being largely offset by the other regions.

Key highlights at 31 March 2024

- + 12 month rolling like-for-like NPI growth of 4.9%¹
- + Portfolio occupancy of 98%¹
- + Portfolio WALE of 5.1 years¹
- + Leased 2.3 million¹ sqm across the platform over the 12-month period, equating to \$369 million¹ of rental income per annum.

Customers maintain a cautious approach given the macro uncertainty surrounding interest rates, inflation, and geopolitical issues. Activity levels among the bulk of the traditional logistics and warehouse users are moderating to more normalised levels seen pre-pandemic.

While market rental growth has slowed in most regions, the average expected rent reversion to market across the global portfolio remains at approximately +25%². This embedded rent reversion is expected to support similar like-for-like NPI growth to current levels over time, albeit this may not be uniform given the disparity in quantum of reversions across the regions and the timing of these reversions (based on lease structures).



4.9%¹
LIKE-FOR-LIKE
NPI GROWTH



2.3M¹
SQUARE METRES
LEASED



5.1 YEARS¹
PORTFOLIO
WALE



Goodman Joso, Joso City, Greater Tokyo, Japan.



DEVELOPMENT

Our expertise and track record in delivering large scale projects in supply constrained locations continues to support our development margins despite the recent repricing of real estate, increased global cost of capital and slowing economic growth. Yield on cost (YOC) across our current WIP and commenced projects (for the 9 months to 31 March 2024) increased to 6.8% and 7.0% respectively.

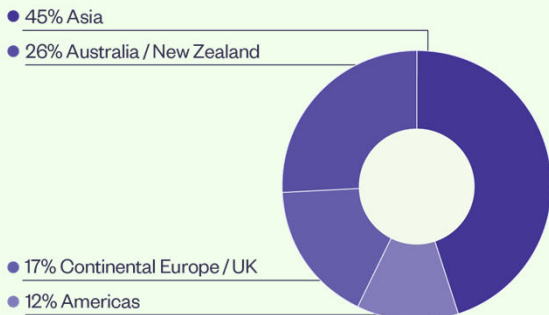
We continue to optimise returns by increasingly undertaking development projects that have been originated on our balance sheet and orienting the development workbook towards data centres and higher intensity of use outcomes.

We are progressing on our data centre strategy and are reviewing additional sites for potential data centre use. Our focus remains on securing power and planning, commencing infrastructure and continuing to work with customers on optimal delivery models that suit their requirements.

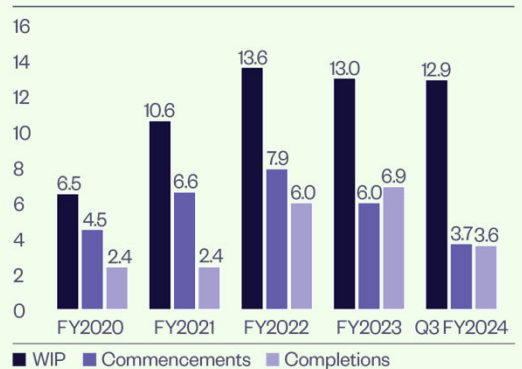
- + Demand is supporting work in progress of \$12.9 billion¹ at 31 March 2024. This represents an annualised production rate of \$6.7 billion^{1,2} (\$6.6 billion excluding GMT)
- + Year to date completions 96% committed and current WIP 59% committed
- + Yield on cost on commencements was 7.0%, with WIP yield on cost at 6.8%
- + 74% of the WIP is currently either pre-sold or being built for third parties or our Partnerships
- + Data centres under construction currently represent approximately 40% of WIP.

Q3 FY24 Development statistics	Completions ³	Commencements ³	Work in progress
Value (\$bn)	3.6	3.7	12.9 ¹
Area (m sqm)	0.9	1.0	3.5
Yield (%)	6.4	7.0	6.8
Pre-committed (%)	96	71	59
Weighted average lease term (years)	8.9	10.6	13.5
Development for third parties or Partnerships (%)	94	54	74
Australia / New Zealand (%)	29	23	26
Asia (%)	56	33	45
Americas (%)	2	18	12
Continental Europe / UK (%)	13	26	17

WORK IN PROGRESS BY REGION



DEVELOPMENT VOLUME



1. Based on estimated end value and includes developments undertaken in the NZ listed entity Goodman Property Trust (GMT). Excluding GMT WIP is \$12.7bn and production rate is \$6.6bn
 2. Production rate is defined as the estimated end value of WIP for the relevant period divided by the expected time in WIP. It is at a point in time and provided as a guide only
 3. For the nine months to 31 March 2024.

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DATA CENTRES

We have made further progress on the power bank globally, with our proven development capabilities and strong balance sheet providing an attractive opportunity to meet our customers' evolving needs.

- + Key focus is on securing additional power, advancing planning and commencing site infrastructure works to provide certainty on project milestones
- + Goodman is well positioned to capture strong demand for new, high value, high-tier data centre facilities in supply constrained locations
 - Global power bank increased by 0.3GW (in Q3) to 4.3GW across 12 major global cities, comprising
 - 2.1GW of secured power, including 0.4GW stabilised and owned and 0.4GW under development
 - 2.2GW of power is in advanced stages of procurement (increased 0.3GW in Q3)
 - Since 2006 Goodman has delivered 0.6GW of powered sites and powered shell projects, demonstrating our planning, architectural and engineering capabilities.

We are in active discussions with our customers on delivery and leasing models for powered shell and full infrastructure fit-out ("turn-key") solutions that best suit their requirements.

In addition, there are several sites owned / controlled by the Group and Partnerships currently under review for potential data centre use.

GLOBAL POWER BANK



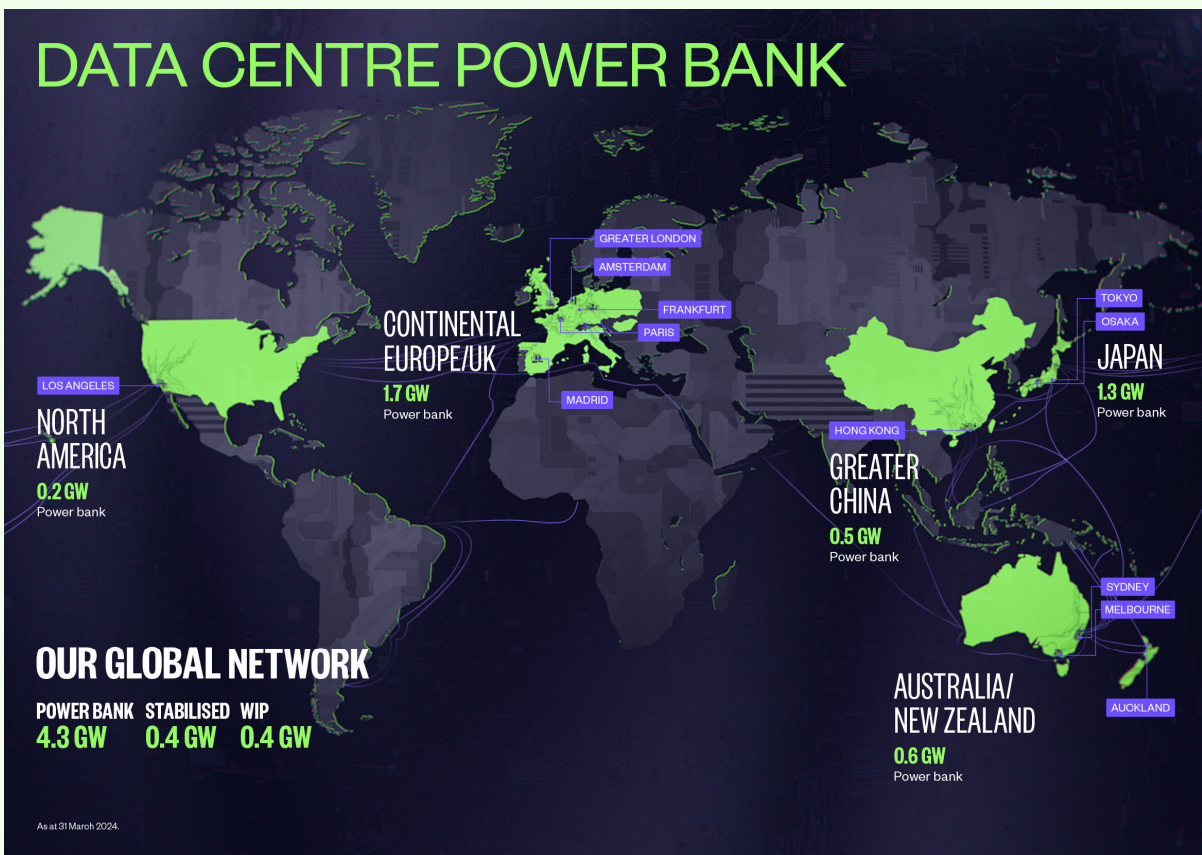
4.3 GW
TOTAL POWER BANK



2.1 GW
SECURED



0.4 GW
WIP





MANAGEMENT

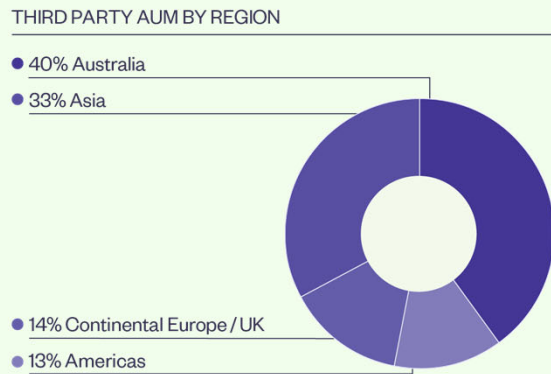
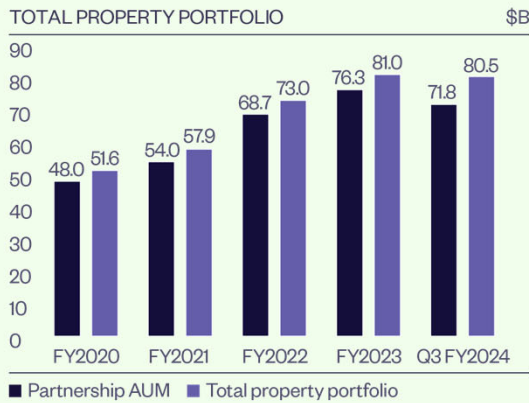
The Group's active management strategy is focused on maximising return on equity, for ourselves and our Partners. The internalisation of the \$4.1 billion Goodman Property Trust was completed during the period. This demonstrates our intent, with the new structure providing a platform for growth for GMT unit holders and enhanced return on the Group's investment. We continue to review our assets, capital structures and capital allocation globally, and expect to undertake further recycling of capital as appropriate.

High occupancy, cash flow growth and embedded performance should continue to support long-term returns and performance fees from the Partnerships with growth in AUM to continue organically, primarily through development.

- + The total portfolio increased \$1.5 billion to \$80.5 billion¹ as at 31 March 2024
- + Partnership AUM of \$71.8 billion – reflecting the change from excluding GMT

While investors remain cautious, there continues to be demand for our high quality industrial and digital infrastructure assets. The weighted average cap rate across the total portfolio remains at 5.1%

The Partnerships remain in a strong financial position with low leverage and \$16.5 billion² of equity commitments, cash and undrawn debt.



TOTAL PORTFOLIO

	AUSTRALIA	HONG KONG	USA	CONTINENTAL EUROPE	CHINA	JAPAN	NEW ZEALAND ³	UNITED KINGDOM	BRAZIL
Partnership total assets (\$B)	29.9	13.2	9.6	8.7	6.7	5.1	4.1	2.7	0.4
Number of Partnerships	8	1	1	2	1	3	1	3	1
GMG co-investment (%)	28	21	55	20	20	20	32	35	15
GMG co-investment (\$B)	6.0	1.8	4.2	0.9	0.9	0.7	0.9	0.6	0.0
Number of properties	183	17	28	119	38	23	14	14	3
Occupancy ⁴ (%)	97	98	98	100	93	99	100	97	100
Weighted average lease expiry ⁴ (years)	4.8	4.9	7.6	5.2	3.4	4.2	5.9	7.0	4.1



\$71.8 bn
EXTERNAL ASSETS
UNDER MANAGEMENT



74%
DEVELOPMENT IN
PARTNERSHIPS OR
FOR THIRD PARTIES



407
PROPERTIES IN
PARTNERSHIPS

1. Total portfolio includes New Zealand
 2. Partnership equity commitments subject to committee approval
 3. GMT: Results are as at 30 September 2023 as reported to the New Zealand Stock Exchange
 4. WALE and Occupancy of stabilised industrial and warehouse portfolios as at 31 March 2024.

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SUSTAINABILITY

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MOORABBIN AIRPORT, MELBOURNE, AUSTRALIA

- + One of the first industrial/showroom developments in Australia to replace all structural steel elements with mass timber
- + Estimated 24% reduction in embodied carbon when compared to a traditional warehouse
- + Better placed to meet future energy needs.

Read more about the [project here](#)



BREMEN GREENSPACE+ONE, GERMANY

- + Targeting up to 30% less embodied carbon emissions
- + Low carbon concrete mix in foundations, loading bays and wall panels
- + Timber replacements in structure
- + Recycled aluminium frames.

Read more about the [project here](#)



GOODMAN WESTLINK, HONG KONG SAR

- + 4 storey modern logistics building with 1.5 million sq ft of leasable area
- + LEED Gold certification for energy savings, water efficiency and design and build initiatives
- + Amenities include café, outdoor gym and roof garden.

Read more about the [project here](#)



Commenting on the outlook, Greg Goodman said:

“The Group continues to execute on its strategy. The challenge of the uncertain interest rate environment, persistent inflation, combined with slowing economic growth, is prolonging volatility in global markets and increased cost of capital.

In the near term we believe aggregate logistics demand is likely to remain at more moderate levels compared to that experienced in the pandemic period. However, supply has been significantly reduced globally, and is generally very constrained in our markets. Our customers remain focused on maximising productivity from their space, preferring infill locations and increasing their investments in technology and automation. Combined with the scarcity of available assets in the markets we operate, should support rental growth and high occupancy.

Competition for land in our markets from a wide range of alternative uses is continuing to provide opportunities for the Group. In particular, data centre demand is significant, driven by strong growth in cloud and AI requirements, and migration of data globally. We believe our competitive advantage is based on our access to secured power on our sites and proven track record in development and program delivery, to meet the growing demand in an environment of limited supply. We’re progressing our work with utilities, planning bodies, customers, and capital partners to maximise this opportunity.

We continue to review our capital allocation and structures and expect to recycle assets to further enhance return on equity while maintaining a strong capital position for the Group and Partnerships. Development WIP overall is forecast to provide attractive margins relative to risk, with the increasing weighting of the workbook towards data centre development. We see this as an attractive use of capital and consequently we expect organic growth in AUM to be primarily driven through development activity in addition to rent growth over time.

The Group is well positioned to fund its growth, with significant liquidity, low gearing and extensive hedging. Importantly, debt capital markets remain open with liquidity available for high quality borrowers and assets, as demonstrated in our recent debt offering.

We have upgraded expected Operating EPS growth for FY24 to 13%.”

The Board approves targets annually and reviews forecasts regularly. Forecasts are subject to there being no material adverse change in the market conditions or the occurrence of other unforeseen events

Authorised for release to the ASX by Carl Bicego, Company Secretary and Group Head of Legal and Risk.

ABOUT GOODMAN

Goodman Group is an integrated property group with operations and investments throughout Australia, New Zealand, Asia, Europe, the United Kingdom and the Americas. 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 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 long-term returns for investors.

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