



## nzx release+

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### Extraordinary Meeting Address

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Date 7 December 2012

Release Immediate

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#### WELCOME

Good morning ladies and gentlemen, and welcome to this Extraordinary Meeting of Unitholders. I'm Keith Smith, Chairman of Goodman (NZ) Limited, the manager of Goodman Property Trust.

My fellow directors and I are extremely pleased to be here today seeking approval for a transaction that is expected to be a significant driver of GMT's future investment performance.

Highbrook Business Park is already an important element in the Trust's portfolio and the acquisition of the remaining interests in the estate represents a compelling investment opportunity.

The purpose of this meeting is to consider the acquisition of these interests and vote on the resolution that will complete the transaction. I encourage you to participate in the meeting and ask questions at the appropriate time.

I'd also like to invite you to stay for the refreshments that follow.

I would now like to introduce the other members of the Board, together with the executives of the Manager, who are present today.

#### ATTENDANCE AND APOLOGIES

From my far left – Andy Eakin, Chief Financial Officer; Phil Pryke, Non-executive Director; Leonie Freeman, Independent Director; Peter Simmonds, Independent Director; Susan Paterson, Independent Director; and John Dakin, Chief Executive Officer and Executive Director.

For the record I'd like it noted that Greg Goodman has sent his apologies.

#### REPRESENTATIVE OF TRUSTEE; EXECUTIVES AND ADVISORS PRESENT

In addition to the Board, there are executives of the Manager, representatives of our Trustee, Corporate Trust Limited and representatives from the Trust's advisors also present today.

These advisors include –

- + our solicitors, Russell McVeagh;
- + our auditors, PricewaterhouseCoopers;
- + our tax advisors, KPMG; and
- + our financial advisors, Macquarie Capital (New Zealand) Limited.

Representatives from Deloitte, the independent appraiser who opined on the acquisitions, are also in attendance.

I'd now like to proceed through some of the more formal aspects of the meeting before we begin the presentation.

### **MEETING FORMALITIES**

- + I'd like it noted that in accordance with the Trust Deed, I have been nominated by the Trustee, Corporate Trust Limited, to act as chairman of this meeting and I have now tabled this nomination.
- + I also confirm that the meeting has been properly convened and notice has been properly given to Unitholders.

GMT's Trust Deed requires at least five persons holding, or representing by proxy, or as representative or attorney, at least ten per cent of the number of Units on issue at the date of the meeting carrying the right to vote at the meeting for a quorum to be achieved.

I confirm that these requirements have been met; and that a quorum is present.

### **VOTING PROCEDURE**

A formal poll on the resolution will be taken at the conclusion of the meeting. The scrutineers will be the Trust's auditors, PricewaterhouseCoopers.

You will be asked to cast your vote at the appropriate time using the voting and proxy form provided to you. If you do not have a voting and proxy form representatives from Computershare will be able to provide you with a replacement when the poll is conducted.

The Chairman, Directors and Others have been appointed as proxy by 1141 Unitholders representing 305,184,059 Units. There are 6 abstentions representing 76,127,951 Units.

Of the proxy votes 98.9% are in favour of the resolution, 0.9% against and 0.2% are discretionary.

### **OTHER ITEMS**

Before we proceed I would also like to point out that the emergency exits for the building are accessed through the side and rear doors of this meeting room. In the

unlikely event of an emergency you will be required to evacuate and assemble outside in a designated area, if this occurs please follow the directions of the Rydges Hotel staff.

Finally, to simplify proceedings, I will refer to Goodman Property Trust throughout the meeting as the “Trust” or “GMT”, and Goodman (NZ) Limited – the manager of that Trust – as the “Manager”.

Now the formalities are dealt with we can proceed.

## **BACKGROUND TO THE RESOLUTION**

On 13 November 2012 a new investment initiative was announced with the proposal that Goodman Property Trust acquire the remaining interests in Highbrook Business Park from its joint venture partners.

It is an exciting opportunity which will have a significant impact on the quality of the Trust’s portfolio and its future investment performance.

Encompassing over 100 hectares of commercially zoned, strategically located land in the centre of Auckland, Highbrook is recognised as one of New Zealand’s premium real estate developments.

Many Unitholders here will be familiar with Highbrook, having taken advantage of previous open days to tour the estate and review on-going development progress. The estate is now almost 50% complete with over 240,000 square metres of prime industrial and business space assets constructed and a further 17,300 sqm under development.

The Trust is already a significant investor in Highbrook Business Park, being the largest owner in the two joint ventures that own the estate. Our partners in these investment entities include the ASX listed Goodman Group and interests associated with the late Sir Woolf Fisher, the original owner of the property.

## **THE ACQUISITION**

The diagram on screen shows the current ownership structure of Highbrook Business Park. There are two joint venture entities that own the estate.

1. Highbrook Development Limited is the entity actively developing Highbrook, its property assets include investment properties, active developments and development land. GMT has a 50% interest in this entity.
2. The second entity is Highbrook Business Park Limited, it holds a portfolio of investment properties that were developed in the estate’s initial stages. GMT has a 75% interest in this entity and the properties it holds.

The total acquisition price to secure the remaining interests in these two joint ventures is \$186.6 million. The consideration to be paid will include a combination of cash and new Units in GMT.

The acquisition price was determined by reference to the net asset value of Highbrook Development Limited and the asset value of the properties held by Highbrook Business Park Limited as at 30 September 2012.

The property assets of these two entities were independently valued at that date ensuring the acquisition price reflects the current market value of the properties being acquired.

Provided today's resolution is approved GMT will own and have control over all the property assets and remaining land at Highbrook.

The Board believes owning one hundred percent of this prime estate will deliver a range of benefits to Unitholders, including a greater development capacity at a point in the property cycle where occupier demand and property values are increasing.

The acquisition is consistent with the investment strategy of the Trust and it has the unanimous support of the Independent Directors.

## **ACQUISITION CONSIDERATION**

Both Goodman Group and Fisher have been supportive partners in the development of a world class business park at Highbrook. While they are selling their respective interests in these joint ventures they remain committed to the Highbrook vision and will continue to share in its success through the investment they will hold in GMT following the transaction.

Goodman Group is effectively swapping its investment in Highbrook Business Park for a greater stake in GMT. The \$74.7 million of new Units it will receive as consideration will increase its shareholding in the Trust from 16% to around 20%. This is consistent with the Goodman Group's strategy of holding a substantial cornerstone investment in all its managed funds. It also ensures that the Manager's interests continue to be closely aligned with those of other investors.

Fisher is receiving half of its \$112.0 million consideration in the form of Units in GMT with the balance paid in cash. This structure allows Fisher to retain an indirect interest while also having the liquidity to meet its obligations to its many beneficiaries.

## **EARNINGS IMPACT**

Half of the consideration to be paid to Goodman Group is deferred for three years. The structure is beneficial as it supports the earnings profile of the Trust.

It is an important feature of the acquisition that mitigates the yield differential between the Highbrook Portfolio and the cost of equity funding the acquisitions while development land is converted into income producing property assets.

Pre-tax distributable earnings are expected to total around 8.2 cents per Unit for the 2013 financial year on both a pre and post transaction basis. Tax paid distributions are also maintained, with a full year cash distribution of 6.25 cents per Unit forecast.

## **ASSOCIATED EQUITY INITIATIVES**

The Trust has undertaken two equity initiatives to facilitate the acquisitions and provide funding capacity for future development activity.

A private placement to institutional investors was undertaken on 13 November raising \$60 million and a Unit Purchase Plan targeting \$20 million of new equity, is currently on offer. The Units Purchase Plan is capped at a maximum of \$30 million, and could be scaled depending on demand.

While these initiatives facilitate the acquisitions neither requires Unitholder approval and they will proceed regardless of the outcome of the meeting.

I will now hand over to John Dakin, our Chief Executive Officer to outline the many benefits of the transaction.

## **JOHN DAKIN'S SPEECH**

Thank you Mr Chairman, and good morning ladies and gentlemen.

This is indeed a very important transaction for the Trust and I am delighted to be presenting it to our Unitholders for approval.

Goodman Property Trust first invested in Highbrook Business Park in 2006 and then more substantially in 2007. It's five years since that transaction was approved by Unitholders and the estate has progressed markedly in that time.

Today there are more than 50 businesses located at Highbrook, these customers are accommodated in 30 purpose built facilities situated throughout this award winning park.

The strategic location, the comprehensive masterplanning, the wide range of amenities and the infrastructure the estate provides are just a few of the elements that distinguish Highbrook from other property developments.

The completion of key infrastructure projects such as the Waiouru bridge, the motorway interchange and the associated roading projects have been key catalysts in the success of the estate.

Customers have quickly recognised the many advantages that Highbrook offers and the one hundred and eight hectare estate is now almost 50% completed. Once fully developed, Highbrook Business Park is expected to have a value in excess of \$1.2 billion and accommodate a workforce of up to 15,000 people, making it one of the most substantial real estate developments in the country.

As many of you know Highbrook was originally the home of the late Sir Woolf and Lady Fisher and their renowned thoroughbred breeding and racehorse training facility. As Ra Ora stud the property produced many famous racehorses and even hosted royal visits.

In more recent times, the Fisher family, led by Sir Noel Robinson, has transformed the estate. The vision of the Fisher family, together with the investment and development expertise of Goodman, has combined to create the world class business park we know today.

GMT already has a significant investment in Highbrook, acquiring full ownership through this acquisition opportunity will enhance the wider portfolio and provide an even stronger platform for growth.

## **INVESTMENT RATIONALE**

The property assets being developed at Highbrook are of a premium standard and have won awards across a range of criteria including masterplanning, subdivision and investment.

With an average age of around five years and a weighted average lease term of more than seven years these assets have stronger income and value growth prospects, longer contracted rental terms and lower capital expenditure requirements than the balance of GMT's already high quality portfolio.

While the acquisitions will enhance the Trust's portfolio they also reweight the asset and geographic diversity. The following slide compares the Trust's property portfolio on a pre and post-acquisition basis.

As a result of the transaction Highbrook Business Park will represent approximately 34% of the portfolio which will increase in size to approximately \$1.9 billion.

The increased exposure to the industrial and business park sectors reflects our belief that these asset classes deliver more consistent and less volatile investment returns over time.

The acquisition also provides GMT with an expanded development capacity at a point in the property cycle where occupier demand and property values are increasing.

An amendment to our investment policy has allowed the increase in our land holdings to around 12% of property assets. The small increase above the previously permitted threshold of 10% is expected to reverse within two years as our development programme progresses.

The structure of the acquisition with an element of deferred consideration and a distribution policy that retains around 20% of distributable earnings help offset the holding costs associated with maintaining a land bank.

Development activity is an important component of our investment strategy, it broadens the customer base and grows rental revenue while enhancing the overall quality of the Trust's property portfolio.

It is also value adding. Current projects at the Trusts development estates in Auckland and Christchurch are achieving average yields on total cost of around 8.5% and delivering valuation gains of around 15% on completion.

More than 500,000 sqm of rentable space has been added to the portfolio since 2004 with around half of this being built at Highbrook Business Park. With 55 hectares of remaining development land the estate is expected to support the creation of a further 270,000 square metres of industrial and business space property.

Full ownership will enable the Trust to capture the entire development margin as new facilities are completed, contributing to the total returns achieved by Unitholders

The aerial image on screen shows the progress that has been achieved at the estate since development first commenced. Many leading corporate customers, representing a broad range of industries, have already chosen to locate here including, DHL, OfficeMax, Steel and Tube, Geon, New Zealand Post, Stanley Black and Decker, IBM, BMW, Spicers Paper, Viridian, Corporate Express and Contract Logistics.

Work is also progressing well with the first stage of The Crossing, a mixed use development that incorporates commercial, hospitality, convenience style retail and amenity type uses in one integrated complex.

The following time lapse photography demonstrates our construction capability in a very condensed time frame.

Leasing progress has been excellent with more than 50% of the total floor area leased ahead of its scheduled completion in June 2013. The development has attracted some substantial new customers into the portfolio including, the serviced apartment operator Quest, the Waipuna conference centre, and Wynyard Wood – an established legal firm.

### **Other benefits**

In addition to the portfolio enhancements, the transaction provides other financial benefits with greater operational flexibility and reduced levels of debt.

The simplified ownership structure following the acquisitions is expected to provide cost savings over time. Lower margins resulting from the amalgamation of bank facilities and greater efficiency through the rationalisation of governance and reporting functions are all expected to be beneficial to GMT Unitholders.

The issue of Units as part consideration avoids the requirement to debt fund an element of the purchase. This issuance, together with the Unit Purchase Plan currently being offered and the recently completed placement, reduce the Trust's level of debt from 35.4% of total assets to 33.9% on a pro-forma basis as at 30 September 2012.

This level of debt is below the targeted band of 35 – 40% that the Board believes is optimal for the Trust and significantly lower than the 50% allowed under its Trust Deed and banking covenants. The benefit of this deleveraging is that the Trust will have substantial debt capacity to fund future development and investment activity.

This equity issuance also extends GMT's investor base, providing additional scale and liquidity to an already substantial listed entity. It is expected that following the Transaction GMT's total market capitalisation will approach \$1.3 billion, making it the 10<sup>th</sup> largest listed entity on the New Zealand Stock Exchange.

The key benefit of a wider investor base and greater market capitalisation is an increased profile for GMT both locally and internationally and a greater weighting in market indices.

### **SUMMARY**

Ladies and gentleman, I hope I have emphasised today what a unique asset Highbrook Business Park is and how important it is that we take advantage of this opportunity.

The scale and quality of Highbrook Business Park means that it is already a significant contributor to the Trusts financial performance. One hundred percent ownership and the realisation of its development potential will ensure it becomes one of the principal drivers of GMT's investment returns into the future.

I'll now invite the Chairman, Keith Smith to continue the formal business of the meeting.

## **FORMAL BUSINESS**

Thank you John.

Both John and I have discussed in some detail the benefits of acquiring the remaining interests in Highbrook Business Park from the Trust's joint venture partners. Before opening the floor to questions, I will provide a summary of the resolution you are voting on today.

## **RESOLUTION**

Unitholder approval of the acquisitions is required under Listing Rules 9.2.3, 9.2.1, 7.3.1 and 7.5 due to the relationship between the Trust, Goodman Group, and Fisher and the fact that Units will be issued as partial consideration.

The purchase price of the Goodman Group's 25 percent shareholding in Highbrook Development Limited and Fishers 25 percent shareholding in this entity together with its 25 percent shareholding in Highbrook Business Park Limited and the properties it holds, is \$186.6 million.

The Resolution is set out in the Notice of Meeting, and for your convenience is also displayed on the screen. As the Resolution has been notified, there is no formal requirement for a seconder.

A majority of not less than three quarters of persons entitled to vote and voting is required to carry this extraordinary resolution. Goodman Group, Fisher and their Associated Persons are not permitted to vote.

These disqualifications do not apply where any of those persons acts as a proxy or representative for a person who is not disqualified from voting, and is voting in accordance with the express instructions of that other person.

There are immediate and lasting benefits associated with this investment opportunity and the Board unanimously recommend that Unitholders vote in favour of this proposal.

The transaction has been reviewed by Deloitte. In its appraisal report, Deloitte stated: "In our opinion, after having regard to all relevant factors, the terms and conditions of the transaction are fair to the Non-associated Unitholders.

## **PROCEDURE FOR QUESTIONS FROM UNITHOLDERS**

I would now like to open the floor for questions or comments relating to the resolution.

Please signal your intention to ask a question and a member of staff will bring you a microphone. For the record, I would also ask that you identify yourself before you speak; and, if you are a proxy or representative for a Unitholder, please let us know that as well.

## **VOTING AND CLOSURE**

Ladies and gentlemen, as there are no further questions we will proceed to a poll and formally conclude this meeting.

If you have not already voted you should complete your voting and proxy form and place it in the boxes on the registration table outside this meeting room. There are pens available and Computershare staff will be on hand should you have any questions or require replacement forms.

Refreshments are also being served in the reception area and you are welcome to stay and enjoy the hospitality while the poll is being conducted. The result of the poll will be announced to the NZX in due course and a copy of the announcement will also be available on our website.

Thank you very much for your attendance and participation today, I now declare this meeting closed.

### **For further information please contact:**

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### **Attachments provided to NZX:**

1. Meeting presentation