
Goodman Property Trust (GMT)

Annual Meeting of Unitholders

Date: 3 July 2019

Time: 1.30pm

Attendance:

Keith Smith (Chairman and Independent Director)

Greg Goodman (Non-Executive Director)

Phil Pryke (Non-Executive Director)

Susan Paterson (Independent Director)

Leonie Freeman (Independent Director)

John Dakin (Executive Director and Chief Executive Officer)

Andy Eakin (Chief Financial Officer)

Representatives from Covenant Trustee Services Limited (the Trustee and Supervisor)

Representatives from Russell McVeagh (Solicitors)

Representatives from KPMG (Tax Advisers)

Representatives from PwC (Auditors)

Apology: Peter Simmonds (Independent Director)

The Chairman opened the meeting and proceeded to welcome investors and undertake the formalities. The Chairman noted Mr Simmonds could not attend due to a minor medical procedure.

The Chairman presented his report followed by reports from Mr Eakin, the Chief Financial Officer and Mr Dakin, the Chief Executive Officer and Executive Director.

The Chairman then asked for questions from investors.

Question: Bruce Parkes – Unitholder and proxy holder for the Shareholder Association

Mr Parkes asked if he could address a question to the Trustee. The Chairman agreed. Mr Parkes asked what their role was and whether it had changed due to the introduction of the Financial Market Conduct Act?

Answer: Asif Saleem – Representative from Covenant Trustee Services Limited (GMT Trustee)

Mr Saleem explained that their primary role was to ensure that the interests the Unitholders are considered and that they have an overarching duty under the Financial Market Conduct Act to

ensure that the Manager acts in the best interest of Unitholders. Mr Saleem explained that they achieved this in several different ways, including formal scheduled monthly meetings with the senior representatives of the Manager together with ongoing periodic reporting.

Mr Saleem also noted that certain transactions needed to be considered and approved by the Trustee. These were dealt with on a case by case basis as they occurred.

Mr Saleem also noted that representatives of the Trustee met with the Independent Directors on an annual basis to discuss any concerns or observations.

The Chairman added that the Independent Directors were available to meet the Trustee at any time.

Question: Roger Stokes - Proxy for my wife Nicola Joy Stokes – Unitholder

Mr Stokes congratulated the Board, noting how impressive Highbrook was.

Mr Stokes queried whether the focus of GMT had moved too heavily towards development. Mr Stokes noted he and his wife were long term investors, but he was concerned that the returns from GMT were largely being used to pay performance fees to the Manager. Mr Stokes also questioned the level of distribution compared with cash earnings.

Answer: The Chairman

The Chairman thanked Mr Stokes for his questions. The Chairman noted that there were several elements to the points raised by Mr Stokes, so he was break down the response between himself and Mr Eakin.

The Chairman noted that listed property vehicles had previously had a track record of overpaying distributions but that now the business was focused on sustainable payout rates for distributions. The Chairman also noted that this meant not paying out purely valuation gains unless the cash had been received like with the sale of the Viaduct assets. The Chairman noted that the development activity was about \$195 million compared to a portfolio of \$2.6b and that GMT had reduced its land holdings significantly over the past couple of years. The Chairman asked Mr Eakin and Mr Dakin if they wanted to add anything to the response.

Answer: Andy Eakin - CFO

Mr Eakin noted that the performance fee due to the Manager was the first time it had been paid in approximately 10 years. He explained that the performance fee was one of the hardest to achieve in the property sector as the Manager must carry forward any losses indefinitely. He added that investors had received a return of approximately 36.5% return this year which was significantly ahead its peer group on the NZX.

Mr Eakin noted that Manager was likely to be required to use the fee to acquire new units in GMT at the higher of NAV or market price.

Answer: John Dakin – Executive Director and CEO

Mr Dakin noted that GMT had always been an active developer and around 85% of what GMT's owns today was developed by GMT. Mr Dakin noted that in his view it was still the best risk adjusted way to obtain long term investments.

Mr Dakin noted that to keep it in perspective GMT is doing around 50,000sqm a year in developments across a portfolio of 1,000,000 sqm. Mr Dakin also noted that industrial property development is different from developing a shopping centre as the development cycle is much shorter and you generally have a single occupier.

Answer: Andy Eakin - CFO

Mr Eakin added some comments around cash earnings and the fact that the fund fee has been paid in units for the last 5 years.

Mr Eakin noted that sales programme that been completed and the de0gearing that accompanied its and that maintaining earnings during that period was an incredibly strong outcome for the business. Mr Eakin noted that it was now allowing the business to have the capacity to develop the land that the business has on the balance sheet but also to look at new acquisitions.

Question: Roger Stokes

Mr Stokes asked when under the long-term plan for the business it was expected to be an increase in the distribution?

Answer: The Chairman

The Chairman noted it was not possible for the Board to give guidance beyond what had already been provided but assured Mr Stokes that the Board was focused on the issue.

Question: Edwin Stranaghan – Unitholder

Mr Stranaghan asked about the risk of such a significant portion of the profit arising from a non-cash source being revaluations.

Answer: The Chairman

The Chairman noted that valuations moved both up and down, but the focus of the business was on ensuring that it owned high quality assets that would continue to be valuable and have the potential to generate additional income in the future.

Answer: John Dakin – Executive Director and CEO

Mr Dakin agreed that it was an important point and the reason why the business did not distribute revaluation gains.

He added that everyone was looking at dividends/distributions and obviously wanting them to go up, but real estate is a long-term asset and the business is making decisions for the long term.

Mr Dakin noted that the business had sold many assets recently because it thought it was the right time to sell those assets and had also made the decision to invest solely in the Auckland industrial market. Mr Dakin also noted that a consequence of those decisions was that debt had been repaid and that the business now needed to reinvest those funds. This was the

strategy that GMT has been working towards, and it was important not to rush to reinvest and make bad decisions.

Question: Edwin Stranaghan – Unitholder

Mr Stranaghan noted directors' responses in the Mainzeal case. He then asked what portion of the valuation gain was from cap rate compression compared to rental growth.

Answer: John Dakin – Executive Director and CEO

Mr Dakin noted that the revaluation gains reflected the current interest rate environment. Lower yields (cap-rates) was one driver of the valuation result the other being rental growth. He advised that they were approximately equal in impact.

Question: Edwin Stranaghan – Unitholder

Mr Stranaghan asked if there been any consideration to the idea of bonus issues?

Answer: The Chairman

The Chairman noted that a bonus issue was always a possibility, but the Board did not see any need for one in the current circumstances.

Question: Edwin Stranaghan – Unitholder

Mr Stranaghan asked the Chairman to confirm the return he could expect was the cash distributions.

Answer: The Chairman

The Chairman confirmed that was correct together with the growth in unit price. The Chairman noted it had been 36% for the year.

Question: Edwin Stranaghan – Unitholder

Mr Stranaghan thanked the Chairman for the responses and asked about the plans for Roma Road.

Answer: John Dakin – Executive Director and CEO

Mr Dakin noted that you can access half of the Auckland population within a 20 minute truck drive of Roma Road, depending on the time of day of course. Accordingly, it is extremely well located for a distribution business.

Mr Dakin advised that GMT will re-lease the buildings and expect to get a running yield of around 5%. Mr Dakin noted they are good buildings and well maintained. Longer term, the site could be redeveloped for a number of uses, including logistics or even residential.

Question: Edwin Stranaghan – Unitholder

Mr Stranaghan asked if Favona Road was in the same category?

Answer: John Dakin – Executive Director and CEO

Mr Dakin explained that Favona Road is a little different in that Turners & Growers grow tomatoes in glass houses on the site. The customer was required to remove these on expiry of the lease at which point the site will be redeveloped. Mr Dakin noted this property was also very well located.

Answer: Greg Goodman – Non-Executive Director

Mr Goodman reiterated Mr Dakin's comments, about the long-term nature of property investment. He explained that it was important to think about how the portfolio is going to be performing in 5-10 years and beyond. This thinking allows the business to grow revenues over the long-term not just the short-term. Mr Goodman noted that whilst some investors may think it strange for a fund manager to promote selling assets Goodman have sold over \$20 billion of assets over the last five years all around the world for the same reason; focusing on assets we believe will be good long term.

The Chairman noted there were not further questions and accordingly moved to the formal business of the meeting.

The Chairman asked Ms Paterson to assist with Chairing this portion of the meeting.

Ms Paterson noted two resolutions were being proposed, the first being that the Chairman was retiring by rotation and being eligible had offered himself for re-election. The second was that Mr Simmonds was retiring by rotation and being eligible had offered himself for re-election.

The Chairman gave the meeting an overview of his experience and skills and asked for any questions.

Ms Paterson read Mr Simmonds address in his absence and asked for questions.

There being no questions, the meeting was closed with Ms Paterson noting the results of the poll would be released via the NZX once voting was completed.

Meeting Closed 3.02pm

[Mr Keith Smith and Mr Peter Simmonds were re-elected – details of the voting have been released to the NZX]

A handwritten signature in black ink, appearing to read "Peter Simmonds". The signature is written in a cursive style with a large initial "P" and "S". Below the signature is a short horizontal line.