

# FINANCIAL REVIEW

SE **Property**  
HD **Goodman to recycle \$1.4 billion in assets**  
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Australia's leading logistics **property** operation, Goodman **Group**, will sell around \$1.4 billion worth of assets both locally and globally in the next year.

The move is a response to strengthening investor demand for well-leased assets, as well as the surge in urban renewal in Australia and Britain.

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The capital released will be recycled into a development pipeline which is expected to top \$3 billion in 2015.

Goodman chief executive Greg Goodman said the investment cycle was very strong, with a lot of capital chasing assets.

So is this the peak of the market?

"No, not at all," Mr Goodman said. "We think there is a lot of opportunity in this market, but there is also a lot of sense in taking money off the table. We can make this a self-sustaining business without the need for new equity."

Goodman **Group** manages \$26.4 billion in **property** assets. With increasing values and \$3 billion worth of development projects to be completed next year, the **sale** of \$1.4 billion in assets will have a relatively minor impact.

Mr Goodman spoke to The Australian Financial Review after an investors' and analysts' update which included presentations from Goodman executives from around the globe. Outlook for 2015 positive

On Wednesday evening, the **group** announced that it would deliver a 7 per cent increase in operating earnings for the current financial year, better than the previously forecast 6 per cent growth.

Mr Goodman said a regular 6 per cent increase in operating earnings was sustainable over the long term. "But we will outperform from time to time," he added. Guidance for the 2015 year will be given at the **company**'s annual results in August.

Mr Goodman said that 2015 was shaping up to be another good year.

Morgan Stanley analyst Lou Pirenc noted Goodman's strong price performance since March.

"With industrial fundamentals strong, cap rate compression evident and a real opportunity to drive high returns from **residential** conversions, the stock should continue to outperform from here," he wrote.

Mr Goodman told analysts that the outlook was strong and within long-term aspirations.

He said other themes for the coming year would be increased development work, driven by activity in the United States and Brazil, a renewed focus on product quality and service to customers, and urban renewal.

Mr Goodman said that urban renewal, as well as releasing capital and contributing to development return, provided an ongoing opportunity to move existing clients into new premises. Local rents to grow at pace of inflation

Goodman's general manager in Australia, Jason Little, noted that prime net face rents in his market would grow at the pace of inflation, or around 2 per cent to 3 per cent a year.

However, in South Sydney, where the supply of industrial **property** was shrinking as warehouses gave way to apartments, rents would rise faster.

Mr Little also noted a focus on aligning Goodman's operations with government spending on infrastructure.

And he stressed the yield compression for industrial properties driven by capital looking for high-yielding assets, the spread to bond rates and a long term re-rating of the industrial sector.

The chief executive of Goodman's North American operations, Brandon Birtcher, said yields had tightened by 25 basis points in 2013.

And Goodman's managing director of UK logistics, Charles Crossland, said yields in the keenly sought south-east of the country, at 5.25 per cent for offices and 5.75 per cent for logistics, were almost as low as at the peak of boom in 2006/07.

For Goodman, only Brazil is moving out of cycle, with prime yields rising 75-150 basis points and rents falling.

One of Goodman's flagships, the ATL Centre in **Hong Kong**, has risen in value over the past year from \$US450 million (\$470 million) to \$US585 million, largely due to rental growth.

Goodman's managing director in greater **China**, Phil Pearce, said the **group** would like to own more of the facility, but its partners were not selling.

**CO** magmgrp : Goodman Group

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