THE AUSTRALIAN

GPT logistics gambit spurs upgrade

By **BEN WILMOT**, COMMERCIAL PROPERTY EDITOR
3:30PM OCTOBER 18, 2021 • NO COMMENTS

Diversified property company GPT is putting the coronavirus crisis behind it, striking a $681m deal to buy the bulk of the Ascot Capital portfolio, picking up logistics parks around the country in a sign of where the company is headed.

The move takes GPT's logistics holdings to more than $4.1bn and it is still developing more in a sign it wants to take its portfolio deeper into the hot sector.

At the same time the listed landlord is selling off more than $800m worth of shopping centres, exiting complexes in both Wollongong and Darwin, in deals it has struck with small fund managers.

As part of the Ascot deal, the listed MA Financial will separately buy two office buildings and a medical facility from Ascot Capital for about $165m. It will place them into its diversified wholesale property fund with the properties showing a yield of about 5.2 per cent.

The transactions were brokered by CBRE's Chris O'Brien and Morgan Stanley's Tim Church.

All up, the GPT assets comprise 23 logistics assets and one office asset for $681.7m and chief executive Bob Johnston flagged the rising importance of the area.

"The Ascot portfolio with a nine-year weighted average lease expiry and strong tenant covenants is a great addition to GPT's existing $3.5bn logistics portfolio, and is in line with our strategy to continue to grow our exposure to the logistics sector through developments and acquisitions," Mr Johnston said.

The acquisition will increase GPT's investment portfolio weighting to the logistics sector to 26 per cent, pushing it towards its medium-term target of about 30 per cent. GPT's logistics development pipeline also has an expected end value of about $1.4bn.

The property purchases showed an initial yield of about 4.3 per cent and is accretive to GPT's Funds From Operations in year one.

The portfolio is 75 per cent-weighted to eastern seaboard states and the ACT, and with the 23 logistics assets acquired, totalling 161,700 square metres of gross lettable area, GPT also bought an office block in Canberra as part of the deal.

"Strong levels of take-up for prime logistics space has resulted in low vacancy rates in the sector and demand is expected to continue to be underpinned by growing investment in supply-chain infrastructure,"Mr Johnston said.

The Ascot portfolio acquisition not only increases GPT's logistics portfolio to $4.1bn, its gearing is below the midpoint of its target gearing range of 25 per cent to 35 per cent.

Macquarie Securities analysts Stuart McLean, Caleb Wheatley and Melissa Lourens estimated the transaction was about 2.9 per cent accretive to fiscal 2023 earnings.

Morgan Stanley analysts Smion Chann and Lauren Berry on Monday upgraded the stock, saying it had done well in rebalancing its portfolio away from retail, into industrials and office.

"Rebalancing is more than just optics. GPT, in our view, is constrained by its diversity, and rarely do all three of its sub-sectors align in terms of operating conditions," they said.

They also cited the two large shopping-centre sales and the potential for the funds management arm to take control of the AMP Wholesale Office Fund.

BEN WILMOT, COMMERCIAL PROPERTY EDITOR
Ben Wilmot has been The Australian's commercial property editor since 2013. He was previously a property journalist with the Australian Financial Review.

More stories on this topic

- GPT shifts Wollongong Central for $400m
- Bendigo, BlueScope and GPT - what we learned
- Malls set to rebound once vax rates rise

Topics

Gpt Group / Coronavirus