

GROWTHPOINT



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The CEO Magazine
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Investing in Growth

Growthpoint Properties Australia is strategically developing its \$1.8-billion investment property portfolio with a focus on diversifying its assets.

Images by Estelle Judah Photography

In the tough Australian property market, ASX-listed Growthpoint Properties Australia is flourishing with a diversified and tactical approach to investment property. Growthpoint boasts a \$1.8-billion portfolio of quality, well-leased office and industrial properties across Australia.

Growthpoint's roots are embedded in South Africa, with the organisation's parent company, JSE-listed Growthpoint Properties Limited, holding \$7 billion worth of property across the country, making it South Africa's largest listed property group. Growthpoint of South Africa currently owns 64 per cent of Growthpoint Properties Australia, with a further 20 per cent owned by other South African institutions, corporates, and individuals. This strong base in South Africa has allowed the Australian arm to thrive, with the company growing from a portfolio of \$650 million to \$1.8 billion in just four years.

Timothy Collyer has been the managing director of Growthpoint since 2010, was the fund manager

prior to that, and has been instrumental in its recent success with a broader, more diversified approach. Tim has more than 24 years experience in ASX-listed and unlisted property funds management, property investment and development, property valuation, and property advisory. During his career, Tim has been involved with a number of corporate transactions including mergers, acquisitions, takeovers, recapitalisations, and property portfolio purchase and disposals.

With experience in office, industrial, and retail property sectors across all of Australia's states and territories, Tim has assumed a number of demanding roles. For six years, he served as the property trust manager at Australand Property Group where he was responsible for the management of its listed and unlisted property trusts.

Tim has also held several management positions at Heine funds management, where he was responsible for the management of an ASX-listed A-REIT office fund, and at a major accounting firm within its real estate advisory group.

Tim holds a Bachelor of Business (Property) and a Graduate Diploma in Applied Finance and Investment. He is also an associate of the Australian Property Institute, a fellow of the Financial Services Institute of Australasia, and a member of the Australian Institute of Company Directors.

With this experience under his belt, Tim has steered Growthpoint into successful waters since becoming managing director in 2010. He states, "I was overseeing the Growthpoint businesses as fund manager. We had just recapitalised the group by Growthpoint Properties of South Africa investing \$200 million in 2009, so I was the main person in charge during that transition. I then assumed the role of managing director and was appointed to the board as well."

Since that time, Tim says, Growthpoint has substantially developed its portfolio and assets. "We have grown considerably. We have grown the assets from about \$650 million of industrial property to \$1.8 billion of industrial and >



office property equating to the purchase of over \$1.1 billion of commercial real estate.

“We have had a steep growth path, and with that has come a number of things, including a market presence with our investors and our financiers, and obviously a lot more investor interest. We have been able to capitalise on that by accessing capital, both equity and debt, to build the business. I think when you're a bit larger you have more relevance to the market, so growth has contributed to that.”

This dizzying road to success has been one that the Growthpoint team has walked together with a small, loyal team of employees building Growthpoint into the company it is today. “We started with four people back in 2009 and now we have 13, so we're not a big business in terms of the number of employees and we do outsource a lot of our functions. Working in a small team, firstly, you need expertise, and secondly you need

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to be able to rely on each and every employee to deliver.

“My philosophy has been to keep the operation of the business open to the wider employee group and obviously to the executive management team so that they understand all facets of the business, and to keep the dialogue about what we're doing open at all times. For example, we just had our half-year results come out and we had a staff lunch to go through our key achievements for the last six months and what we're concentrating on in the future. It's about staff engagement and communicating what we're doing, and the strategies the board has put in place for the business.”

Mapping a clear and strategic direction for the future is something that Tim and his team have worked on tirelessly. Choosing and shaping the right strategies and tactics for the coming years has been a significant focus for the Growthpoint team,

and Tim says they're going to stand behind and support their hard work.

“We believe—the board and the management believe—that we have a good strategy, so we just need to stick to that. I suppose as the economy changes, if it's down or up, there's always a temptation to change your strategy, something that may provide you with excess returns for a period, or going to a new area of business or a new venture.

“Going forward, we have a proven track record and a proven business model, and I think we need to focus on that and maximise our business model. We can't pay attention to whatever is the flavour of the month at the moment or worry if our business model goes out of favour for a period of time. To chop and change with the whims of the market and the economy is very dangerous. We need to be consistent in our approach and consistent with our strategy, so I

think that's probably the most important thing going forward.”

This strategy, which will guide Growthpoint in the coming years, is primarily focused on getting back to the basics of being a landlord of quality investment property. The Growthpoint strategy has four pillars, which include 100-per-cent investment in Australia, no funds management, not being a developer, and internalised management.

The board and Tim have purposely positioned themselves as champions of Australian investment. As a result, all of the company's investment properties are located in Australia where the board and management intimately understand the key markets. In recent years, Growthpoint has strategically increased the diversification of its portfolio to cover every state in Australia.

The pillar of 'no funds management' is part of Growthpoint's aim to >



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commercial real estate in Australia. We don't do developments, we don't go overseas and invest, and we're not a fund manager who has numerous funds with different sets of investors to concentrate on.

"We have a simple business model, so that gives us a competitive advantage. We have a very experienced and cohesive board, and when decisions have to be made, our board and management are able to act very quickly. I think that gives us a competitive advantage as well. Of course, probably the final factor is that the backing of our investors and stakeholders that deal with us is very strong.

"As I said before, we've grown from \$650 million of assets to \$1.8 billion in four years, and we've had good support to do that. Principally, the main support comes from our major securityholder, Growthpoint Properties of South Africa, which owns 63.5 per cent of our company. It really comes down to a good business model, being nimble when making decisions, not being tied down by a large bureaucracy, and good support from stakeholders."

The support from Growthpoint's South African parent company is invaluable, with Tim working closely with his colleagues to ensure the best way forward. Tim says, "We have three South African board members out of a total board of eight. Growthpoint Properties of South Africa is heavily involved with the business, and obviously they provide funding when we undertake transactions as well.

"We remain in constant contact with South African directors and the wider investor market there. We travel to South Africa twice a year, and they come over to Australia two to three times a year, and we also have lots of teleconferences. We are in continual dialogue with our South African parent and the directors through regular board meetings, audit meetings, compliance committee meetings, and so forth." >



construction of a development, enter a joint venture where it becomes the ultimate owner of the property, or retain an interest on completion of the development, the company won't undertake developments that are not materially pre-leased or develop properties for the purpose of selling to third parties.

The group's last strategic pillar is its internalised management via a stapled entity structure. Securityholders of Growthpoint own both the property trust and the manager or responsible entity. As a result, there are no fees payable to third party or external managers for operating the business, or any conflicts of interest between securityholders and the manager or responsible entity.

These cemented, strategic pillars will form Growthpoint's battle plan in the years to come as the company fights in the tough, continually competitive Australian market. Tim believes that these strategic pillars give Growthpoint a distinct competitive advantage.

"We have a good, simple business model that is readily executable. We're a landlord of quality

derive its revenue from lease returns. Tim and his team chose not to go down the funds-management route like many other companies, and they don't intend to become a funds manager in the future. The group wants to focus solely on managing a portfolio of properties that its securityholders own. Therefore, the company's income is, and will continue to be, derived solely from rental income rather than funds or asset management fees.

Another pillar focuses on the fact that Growthpoint doesn't operate a property development business and doesn't intend to take on any significant development risk. While Growthpoint may purchase a property to be developed, fund



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This wealth of experience and expertise was drawn on in recent years as Growthpoint has diversified its portfolio and expanded its asset categories. “We did start off with principally an industrial portfolio,” states Tim. “When Growthpoint came into the Australian market, we changed the management, the structure of the legal entity, and the investment mandate.

“Growthpoint Properties Australia today can invest in industrial properties, office properties, and retail properties. To this point in time, we have expanded our industrial portfolio and we’ve started our investment in the office sector. We haven’t invested in retail properties yet because we don’t believe the returns have been adequate, and the market for retailing post-global financial crisis has been pretty poor.”

Growthpoint’s relationships with suppliers and strategic partners were a crucial part of this process. Tim understands the importance of

these partnerships and says he actively engages and communicates with key suppliers and partners.

“We have a number of different suppliers. We have professional suppliers of legal services, accounting services, registry services, and so on. They’re generally involved in our day-to-day business as anyone operating a large business would. As we’ve been growing, their work for us has also grown, so their teams have grown to service us as well, which has been good.

“For example, with our lawyers, Herbert Smith Freehills, we’ve grown together, done numerous transactions, and established a long track record. Other suppliers or other stakeholders in the market are generally our tenants. We spend a lot of time with our tenants, understanding what they want to do with their accommodation, whether it will be industrial or office, whether they want to expand or contract, extend

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- Timothy Collyer

their lease, or move to another property. We are in constant contact with them.

“The other group of suppliers or stakeholders is the finance and capital market participants, including the trading banks, the investment banks, and then on the property side, real estate agents who sell a lot of commercial property. I think it’s just a matter of maintaining your strategy and people understanding that strategy. If they generally understand what your strategy is, and to some extent have some buy-in into it, then the work that they do for you becomes easier and the opportunities that are presented to you are more direct and more relevant to you.”

As the company moves forward and implements its strategy in the years to come, Tim says Growthpoint will cement its place in the Australian market. “In terms of vision, we see Growthpoint as a significant player in the

commercial property market here in Australia. We know there are very large players above us, but we’re here for the long term; we’re long-term property investors, and we see that we’ll have the support of the general market to build our business.

“We see ourselves as moving up and being one of the principal property owners of quality property in Australia. We want to provide a quality portfolio, a growing portfolio, and grow the distributions over time because we think if the distributions or dividends grow over a period of time, then the share price will follow. It’s a fairly simple strategy, even though it takes a lot of effort to put into place, but that’s our basic philosophy. We concentrate on the income or the distributions to our securityholders.”

Sustainable and strategic growth will shape the future of Growthpoint as Tim and his team ensure its long-term success. •

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