



Australian Property Growth Fund Managing Director's Presentation 2009 Annual General Meeting

26 November 2009



Presentation Overview

- **Executive Summary**
- Economic Conditions
- 2008/09 Full Year Results
- Update on Current Projects
- Outlook and Future Strategy



Executive Summary

- Global Financial Crisis (GFC)
 - o Worst is past but financial landscape has changed
 - o Illiquid global capital markets
 - o Decline in property prices as more sellers than buyers
- What does it mean for APGF?
 - o Non-cash devaluations resulted in accounting loss for 2008/09 of \$64 million
 - o Underlying net profit after tax of \$8.5 million
 - o Net asset value of 70 cents per stapled security
 - o Bring Distribution per Stapled Security (DPS) in line with Earnings per Stapled Security (EPS)
 - o DPS of 3.5 cents per annum from 1 July 2009
 - o Excellent acquisition opportunities



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Causes of Global Financial Crisis (GFC)

- USA housing market (30% price falls)
- USA sub-prime loans writedowns
- Lehman Brothers collapse in late 2008
- Crisis of confidence



Consequences of the GFC

- Intervention of world central banks avoided a meltdown in financial system
- Worst of GFC in the past but financial landscape has changed
- Decline in world equity and property prices
- Equity markets recovering since March 2009
- Access to debt and equity limited and expensive, particularly for property
- Crisis has produced challenges but also acquisition opportunities



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2008/09 Full Year Results

- Underlying net profit after tax of \$8.5 million
- Accounting loss after tax of \$64 million (which includes non-operating and non-cash asset devaluations and impairments of \$72.5 million)
- Net asset value 70 cents per stapled security
- Net assets \$160 million
- Assets under management \$1.3 billion



2008/09 Key Features

- Construction of Stage 1 Pavilions on 5th Palm Beach completed with 95% of Stage 1 retail leased and 79% of Stage 1 apartments settled or under unconditional sales contracts
(as at 24 November 2009)
- Acquired the Domaine property funds management business in March 2009
- Other excellent acquisition opportunities are emerging



APGF Position

- Australian assets; no exposure to USA or Europe
- No exposure to international debt markets
- No major investment property or bank loan maturities before late 2011
- Compliance with all bank loan covenants
- Cash at November 2009 - \$20 million



Valuations



- Capital rationed and more expensive
- More sellers than buyers
- Significant drop in property valuations
- APGF properties devalued by 16.5% (from peak valuations to 30 June 2009)
- Non-operating and non-cash asset devaluations and impairments of \$72.5 million
- Devaluations resulted in net asset value of 70 cents per stapled security



Capital Management

- Pre GFC paying Distribution per Stapled Security (DPS) in excess of Earnings per Stapled Security (EPS)
- In post GFC financial environment must bring Distribution per Stapled Security (DPS) in line with Earnings per Stapled Security (EPS)
- DPS of 3.5 cents per annum from 1 July 2009



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PROPERTY TRUST ASSETS



Blue Tower, Brisbane CBD



Blue Tower

Brisbane CBD



- Iconic Brisbane CBD commercial office building
- Net lettable area 32,000 square meters
- Current valuation \$247 million
- \$8 million capital expenditure program underway
- Blue chip tenants, including Macquarie Bank, Esso Australia, Optus, Reserve Bank of Australia



Melbourne Street, South Brisbane



Melbourne Street, South Brisbane



- Commercial office building at South Brisbane
- Net lettable area 6,145 square metres
- Current valuation \$28 million
- Blue chip tenants including Stockland, Lumley Insurance, PanAust Resources



Royal Bank Chambers

Collins Street, Melbourne



Royal Bank Chambers

Collins Street, Melbourne



- Current valuation \$24.975 million
- Prime Collins Street location
- Fully leased to ANZ
- Banking chamber 10 year ANZ lease
- Nine upper office floors - ANZ lease expiring 31 December 2009
- Refurbishment and releasing opportunity



Westpac Concord Campus

Concord, Sydney



Westpac Concord Campus

Concord, Sydney



- 16,900 square metre office campus
- Current valuation \$48.6 million
- Leased to Westpac until October 2012



Pavilions on 5th

Palm Beach, Gold Coast

(Artist's impression of completed development)



Pavilions on 5th

Palm Beach, Gold Coast

(Photos of completed Stage 1)



Pavilions on 5th

Palm Beach, Gold Coast



- 9,800 square metre prime site
- Mixed retail (5,200 square metres) and residential (194 apartments)
- End value approximately \$125 million
- Stage 1:
 - Construction completed June 2009
 - Substantially de-risked
 - 82 apartments settled/unconditional sales contracts (total 104)
 - 95% of retail leased (includes Coles supermarket)



Property Funds Management Business



- Performing profitably
- 30 property trusts/syndicates
- Stable recurring funds management income
- 5,000 investors
- Project pipeline
- Geographic and property sector diversification
- Excellent platform for expansion
- 2 residential land subdivisions on the NSW South Coast



Domaine Property Funds Management Business



- Business purchased from Mirvac in March 2009
- Attractive purchase price
- Increases APGF's earnings per stapled security and attractive return on equity
- Comprises 3 principal property funds and a number of smaller ones
- Properties principally located in Brisbane and Newcastle
- Other acquisition opportunities are emerging



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Outlook and Future Strategy

- Well positioned in current climate
 - Australian assets; no exposure to USA or Europe
 - No exposure to international debt markets
 - No major bank property investment loan maturities before late 2011
 - Cash at November 2009 - \$20 million
- Portfolio of quality properties
- Acquisition opportunities
 - Counter cyclical
 - Stable rental streams
 - Property funds management business
 - Property syndicates consolidation





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