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MIRVAC PFA DIVERSIFIED PROPERTY TRUST

mirvac

21 April 2008

Mr J & Mrs M Citizen
atf Citizen Superannuation Fund
123 ABC Street
BRISBANE QLD 4001

Dear Mr & Mrs Citizen

Mirvac PFA Diversified Property Trust ('MPFA') – Update, Strategic Review, Outcomes & Future Directions

My apologies for writing to you so soon after the release of the Half-Year Review to 31 December 2007.

As mentioned in my letter dated 8 April 2008, I noted that there was a strategic review of the Trust and its activities underway. This review is now concluded and I wanted to write to you as soon as possible to ensure you are fully informed on your investment in MPFA.

As a unitholder in MPFA you may be concerned about the Trust's recent price performance. This update is to inform you of the actions Mirvac has taken since becoming the manager of the Trust, the outcome of a recently completed strategic review and the future direction of the Trust.

Global equity and real estate markets have been subject to considerable volatility following the residential sub-prime crisis that emerged in the USA in the middle of last year. Sharemarkets have declined in value from their 2007 highs. Listed real estate trusts (REITs and LPTs) have exhibited price volatility. The availability of debt has become restricted and its price has risen significantly.

These issues were initially caused by poor lending practices in the US residential markets, often described as 'sub-prime lending'. However, the problem has assumed global dimensions due to the widespread mispricing of risk, that is, interest rates charged and credit availability not reflecting the underlying risk of investment. These issues have been experienced in all developed countries and are not confined to the real estate sector.

In Australia, we are fortunate to have an economy that is stronger than many others. Demand for our export commodities remains robust, and we have strong employment growth and a sound economy. Much of the excess and poor lending practices we have seen in other markets did not occur in Australia. In particular, the prime end of the Australian property market did not record the rapid price rises that occurred in the USA and UK. As a consequence, the values of prime grade real estate assets in this country are not expected to fall to the same extent as recently experienced in overseas markets.

Global real estate markets have been severely impacted by recent economic conditions. Uncertainty around asset values has lead to great nervousness amongst investors and a rush to liquidate/sell assets. This, in turn, has lead to either heavily discounted values or no sale at all.

For real estate businesses listed on various stock exchanges around the world, share prices have fallen as investors withdraw cash. This action, combined with the higher cost of finance, has meant that investors have also increased the returns they require, again putting downward pressure on asset values. Australia is not entirely isolated from these global issues, and though the overall outlook for Australia remains relatively positive, our markets are all linked with and compared to the rest of the world.

The recent downward pressure on unit prices for all listed property is unsettling and the volatility that has been experienced has resulted in many LPTs trading below Net Tangible Asset (NTA) values. Given this, it is essential to look at investments for the long term and focus on sustainable total returns (including both income and capital growth).

Mirvac PFA Diversified Property Trust

Changing market conditions, at the time Mirvac became the manager of the Trust, dictated that a detailed strategic review be undertaken. The Trust's half year results to 31 December 2007 were compiled prior to the completion of the detailed strategic review. The half year results indicated that the Trust had performed satisfactorily, however it is important for investors to note that these results did not contemplate the future direction of the Trust and the new economic conditions in which it will operate.

The strategic review, recently concluded, looked at MPFA's:

- real estate portfolio;
- capital management (including debt and equity);
- income, future income growth, cost and use of debt and Trust expenses;
- distribution policy; and
- compliance and governance.

Following completion of the strategic review, management of MPFA has decided to implement the following actions:

Current Situation	Action and Outcome
• Existing Trust Manager retiring	Appoint an experienced Trust Manager. Ben Hindmarsh, one of Mirvac Group's most experienced real estate trust managers, has been appointed as MPFA Trust Manager.
• Potential to increase Trust income	Reduction in management fee in financial year 2009 from 0.6% to 0.4% of Funds Under Management effective 1 July 2008 will increase Trust income by $1.3 million in financial year 2009[1].
• Debt facilities expire in November 2008	Mirvac's specialist real estate debt team has commenced working to refinance the existing debt and we are hopeful of concluding these negotiations by late June 2008. Given current market conditions, however, the Trust will incur higher interest rate costs. Importantly, Mirvac has a strong working relationship built over many years with the banking sector.
• Trust distribution has been greater than Trust earnings, with shortfall met by capital reserves and borrowings.	Trust distributions must be met from net cash flow, without the need for additional borrowings. This will result in a reduction to investor distributions in July 2008 to match core earnings (from 9.8 cents to 6.9 cents per annum). Undertaking this will maintain the integrity of the Trust's balance sheet and position it for growth in the future.
• Limited unitholder communications	Effective from the September 2008 quarter, a quarterly newsletter on the Trust will be introduced. The website will be upgraded to provide new and different forms of communication – all designed to keep you better informed.

[1] Management fee to increase in line with distribution increases although capped at 0.6 per cent

• Ongoing portfolio rationalisation required	Targeted portfolio rationalisation of select assets. The MPFA team has identified assets for disposal, with proceeds to be applied to the reduction of debt.
• Need for capital expenditure to update assets – normally funded by debt	The MPFA team will reconsider necessity of expenditure and/or disposal of assets.
• BSX trading not meeting investor needs and pricing not reflecting NTA	The MPFA team is investigating alternative liquidity mechanisms and will report to unitholders in the period ahead.

Initial Key Financial Targets

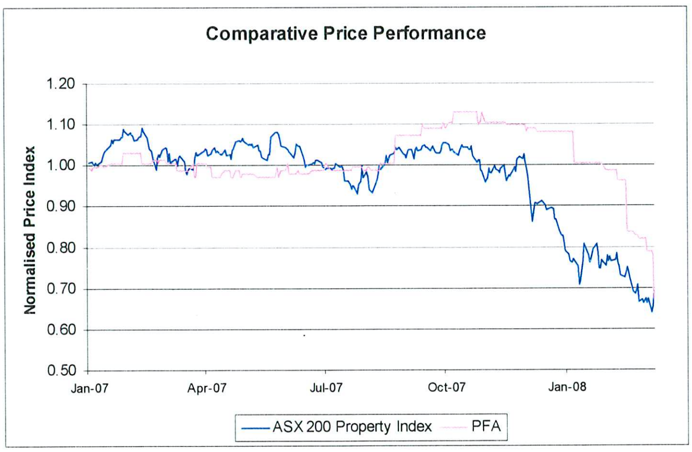
The table below sets out the Trust's current financial position and the short to medium term targets we expect to achieve once the actions set out above are implemented.

	Current	**Short/Medium term targets**
Debt gearing (% of debt to assets)	50%	40%
Interest rate hedging	77%	80 - 90%
Management fee	0.6%	0.4%
Distribution	9.8 cents per unit	6.9 cents per unit
Trust interest cover	1.75 x	>1.75 x

Unit Price on the BSX

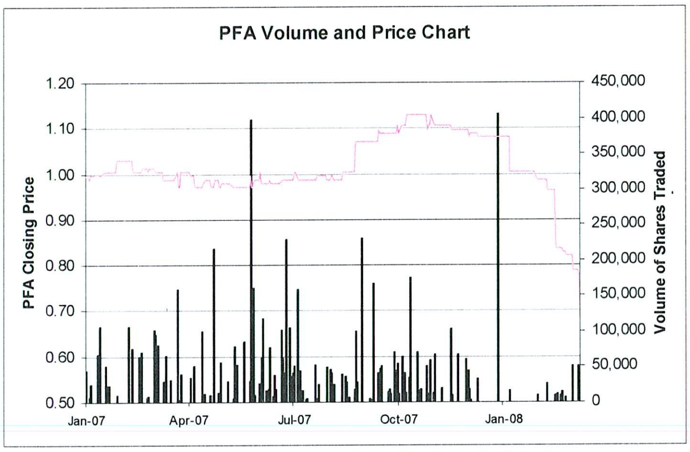
The fall in the MPFA unit price on the BSX has mirrored the falls witnessed on the ASX (refer Chart 1). The limited liquidity provided by the BSX (annualised turnover of only 5 per cent of units on issue) combined with an effective "buyers strike" have meant that determined sellers have had no alternative but to exit at a price that reflects a large discount to the stated NTA of $1.46. Historically, only small volumes of units have been transacted daily and they are often traded at heavily discounted prices (refer Chart 2). It is worth reiterating that the fall in unit price is at least partly related to the limited liquidity environment that exists, and does not reflect the underlying property fundamentals or indeed the Trust's NTA.

Chart 1



Source: Bloomberg and www.bsx.com.au

Chart 2



Source: Bloomberg and www.bsx.com.au

About Mirvac Group and Mirvac Funds Management

MPFA is managed by Mirvac Group, one of Australia's leading integrated real estate investment groups. With $28 billion of activities under its control and over $9.3 billion in funds under management, Mirvac was established over 35 years ago and is now one of the largest and most diverse property companies in Australia.

Mirvac Funds Management Limited (MFM) is Mirvac Group's specialist funds management business and MPFA's new Trust Manager. The Group currently manages more than $9 billion on behalf of more than 36,000 institutional and retail investors across three key areas: direct real estate, real estate debt and infrastructure funds.

Conclusion

The Trust has a sound and diverse real estate portfolio that is well tenanted, with leases on average extending beyond six years and producing strong cashflow.

However global property and debt market changes over recent months dictate that the Trust must similarly change the way in which it has previously invested and operated to ensure that the Trust is positioned to its best advantage for the period ahead.

In particular it is essential that appropriate capital management and debt management strategies be implemented immediately, and some asset sales occur to reduce debt and cut Trust expenses.

A strong balance sheet now is what is required to enhance growth to unitholders in the future, thus the need to ensure Trust distributions are met from net cash flow.

Mirvac Funds Management believes that it is appropriate to also contribute toward reducing the Trust's running costs and will reduce its management fees by 33 per cent to 0.4 per cent of funds under management, effective 1 July 2008.

Investor communications will be enhanced. From September 2008, all unitholders will receive a quarterly newsletter that provides more information on the Trust, its assets, financial position and future strategies. The website will also be improved to ensure better and more usable information is available to you.

Mirvac Group is committed to managing MPFA to ensure that the Trust meets the long-term expectations of its investors. It has appointed one of its most experienced managers to the role of Trust Manager and is utilising all the Group's resources to the benefit of the Trust and its investors.

If you have any queries in relation to information contained in this letter, please contact your financial advisor or Mirvac PFA Limited on 1800 687 170.

Yours sincerely,

Grant Hodgetts
CEO, Mirvac Funds Management

Ben Hindmarsh
Trust Manager, Mirvac PFA Diversified Property Trust