

Mirvac PFA Diversified Property Trust

Strategy and Operational Update – July 2008



The Octagon, 110 George Street, Parramatta, NSW



Citigate Perth, 707 Wellington Street, Perth, WA

Strategy update

This quarter has been a busy one for the Mirvac PFA Diversified Property Trust (the **Trust**) with progress being made towards achieving a number of previously stated Trust initiatives. We look forward to announcing the full outcomes from these initiatives during the September 2008 quarter, however we would like to provide an update on our activities to date:

Debt re-negotiation

Negotiations on the Trust's debt facilities are well advanced. Offers of finance have been received from a syndicate of lenders including CBA, ING and BNZA. The process of documenting the facility has now commenced with execution anticipated in late July 2008. This is well in advance of the debt expiry in November 2008.

Portfolio rationalisation

Our strategy of portfolio rationalisation has progressed with negotiation on a number of asset sales currently being concluded. It is the intention to use the majority of any sales proceeds to reduce the Trust's debt levels. Importantly, lowering the amount of debt reduces the higher interest costs and, subject to the final interest rate on the debt facility, may result in enhanced returns to Unitholders.

Liquidity alternatives

The BSX continues to price the Trust at levels that do not reflect the Trust's Net Tangible Assets. We have advanced our investigations into finding an alternative liquidity mechanism for the Trust and will update unitholders on the proposed solution following finalisation of the Trust's debt facility.

Distribution reinvestment

We are reviewing the possibility of reinstating the Trust's Distribution Reinvestment Plan (**DRP**) later in the 2008/2009 financial year. The **DRP** would allow Unitholders to reinvest their income from monthly distributions at a set discount to the unit price.

Details on the **DRP** are still being investigated and Unitholders will be notified in writing if the reinstatement of the **DRP** is a workable option for the Trust.

Once the debt documents are executed, we will update Unitholders on the outlook for FY09 and beyond, including our forecast Trust earnings and an update of the broader liquidity alternatives review.

Operational update

While our focus has been on the implementation of the initiatives we outlined in April 2008, the property management team has also been hard at work ensuring that the Trust's occupancy levels, income streams and lease expiry profiles remain strong.

Active asset management results in positive outcomes

- > In May 2008 Management completed the successful renegotiation of the Road Traffic Authority's lease at the Octagon in Parramatta, Sydney. The lease was extended for a further 4.5 years to December 2012 at a net rental of \$275 per square metre. This was an extremely favourable outcome for the Trust and will have a positive impact on the 2009 financial year's earnings.
- > The sale of surplus land at the Sevenoaks asset has progressed with settlement to occur in September 2008 upon satisfaction of contract conditions. Net proceeds from this sale would be used to reduce debt.
- > A new lease has been negotiated with Queensland Health for 3,568 square metres at the Trust's Anzac Square asset. The lease is for seven years and expires in June 2015. A commencing gross rental of \$630 per square metre was negotiated.
- > A \$4.36 million refurbishment program was completed at the AAPT Centre in early June and included a major upgrade to the buildings façade.

Property valuations being undertaken

The Trust is currently undertaking revaluations on its whole portfolio, eight independent valuations and 12 internal directors' valuations, for 30 June 2008. These valuations are being conducted in accordance with the Fund's valuation policy. Unitholders will be advised of the revaluations at the time of reporting in August 2008.

We will continue to focus on employing appropriate capital and debt management strategies, strengthening the Trust's balance sheet and executing our active asset management program. We look forward to updating you further on the Trust's ongoing initiatives early in the new financial year and the release of the June 2008 full year results.



Ben Hindmarsh
Trust Manager

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