

Investor Update

Mirvac PFA Diversified Property Trust

Debt refinancing

We are pleased to advise that the Trust has been successful in refinancing its debt facility with the execution of all documentation completed on 7 November 2008.

The new \$355 million debt facility has been refinanced for a term of three years with a syndicate of lenders, comprising CBA, ING and NAB.

We are very pleased to have completed our negotiations on the Trust's debt facility in what is a very challenging credit environment. We have also secured an extremely competitive margin due to the combination of a soundly performing portfolio and strong relationship with our lenders.

Post the completion of the debt refinancing, the Trust has 69.4 per cent of its debt hedged. We continue to work closely with Mirvac's treasury team to maintain the hedging profile within the range of 60 per cent to 100 per cent as per the Trust's hedging policy.

Strategic update

We have been successful in implementing the majority of the strategies we outlined in April 2008 which included: portfolio rationalisation, removal of refinancing risk, lower debt levels, revised distribution and management fee policy.

Off the back of these initiatives, we are refining the Trust's three to five year strategy. Whilst the fundamentals of the Trust remain sound, the continued deterioration in the financial and property investment markets are being monitored to ensure the Trust's future strategy is appropriate for the prevailing investment climate.

One of the future initiatives is the investigation into an alternative liquidity mechanism to the Bendigo Stock Exchange (BSX).

These investigations have been combined with substantial Investor canvassing. Ultimately we consider that the BSX is not delivering either suitable liquidity or appropriate capital pricing and therefore, we made an application to the BSX on 7 November 2008 for the Trust to be delisted. The BSX has responded, requiring a two step process:

- > Mirvac PFA Limited must convene a meeting of the Trust's Investors to obtain their approval to delist from the BSX; and
- > Upon receiving Investor approval by the required majority, the BSX will remove the Trust from the official list three months (90 days) after the date of approval.

Although we are disappointed with the decision of the BSX given the overwhelming support we have had from our Investors, we believe the Meeting will provide Management with the opportunity to present, to Investors, the Trust's three to five year strategy. We anticipate convening an Investors' Meeting in March 2009 which will provide Investors with the opportunity to vote on the resolutions required to implement this strategy.

We are committed to implementing a strategy for the Trust that will maximise the income and value of the Trust's portfolio for the benefit of all Investors.

Distributions to increase

From 1 April 2009¹, the Trust's annualised distribution will be increased from 6.9 cents per unit² to 7.25 cents per unit, an increase of 5.1 per cent.

As we advised in our update in April 2008, management fees were decreased in line with the decrease in distribution and would only increase in line with any distribution increases to Investors. From 1 April 2009, the management fee³ will accordingly increase from 0.40 per cent to 0.42 per cent of funds under management, in line with the distribution increase.

- 1 The distribution increase will be applicable for the month ended April 2009 which will be paid in May 2009.
- 2 This excludes the 1.1 cent per unit special distribution paid on 19 September 2008.
- 3 Management fees are capped at 0.6 per cent of funds under management.

Portfolio update

The portfolio's occupancy level remains high at 96.5 per cent and the weighted average lease expiry remains strong at 6.1 years (by income). The portfolio is well supported with the top 10 tenants contributing 59 per cent of income. Government tenants contribute 27 per cent of income.

Revaluations

Three of the Trust's assets, the Octagon, Parramatta, NSW, Civic Tower, 66-68 Goulburn Street, Sydney, NSW and 390 St Kilda Road, Melbourne, VIC were independently revalued during the September quarter resulting in an increase of \$1.56 million on the 30 June 2008 book values.

The new valuations reflect a 49 basis point expansion in weighted average capitalisation rates over the previous external valuations and represent approximately one third of the portfolio by value. Details of the three new valuations are summarised in table 1 below.

The Trust's policy is to independently revalue assets at least every two years with the next independent valuations scheduled for 31 December 2008. Following the December round of revaluations, 16 of the 19 Trust's assets will have been externally revalued in the preceding nine months.

Refurbishment at Citigate Perth

Citigate Perth is currently undergoing a substantial refurbishment with an estimated cost of approximately \$8 million. It is expected the refurbishment will be completed in February 2009.

Levels 4, 5 and 7 have been fully refurbished and handed back to hotel operations, receiving positive guest feedback and a substantially increased room rate over that achieved prior to refurbishment. The progress on other refurbishment work is:

- > The bar and two conference rooms are currently undergoing refurbishment and are expected to be completed mid December 2008;
- > Levels 2 and 3 are currently being refurbished and are expected to be completed prior to 31 December 2008; and
- > The hotel lobby, restaurant and entrance refurbishments are expected to be completed in February 2009.

Net Tangible Assets (NTA) update

At 31 October 2008, the unaudited NTA of the Trust was \$1.20, a decrease of 6.25 per cent from the audited 30 June 2008 NTA of \$1.28. The NTA has been impacted by the revaluation of interest rate hedges during the period. On a positive note, the lower interest rates are accretive for the Trust's cash earnings as interest costs on the floating component of our debt facility are lower.

We look forward to updating Investors on the progress of the Trust throughout the year. We will continue to focus on our long-term strategy to build the Trust as a sustainable and rewarding vehicle for your investment funds.



Ben Hindmarsh

Trust Manager, Mirvac PFA Diversified Property Trust

Table 1

Asset	Independent valuation 30 Sept 2008 (\$m)	Book value 30 Jun 2008 (\$m)	Variance (\$m)	Variance (%)	Cap rate (%)
Civic Tower, 66-68 Goulburn Street, Sydney NSW ⁴	67.40 ⁵	67.41	(0.01)	(0.01)	7.00
The Octagon, 110 George Street, Parramatta, NSW ⁴	39.25 ⁵	38.70	0.55	1.4	8.00
390 St Kilda Road, Melbourne, VIC	61.60 ⁵	60.58	1.02	1.7	7.50

4 Fifty per cent interest.

5 Includes a rental guarantee.

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