

Half-year review 31 December 2008

# Mirvac PFA Diversified Property Trust

## Current Outlook

The Australian economy has come under pressure as the fall out from the global financial crisis has gathered pace with the dislocation in the credit markets becoming more widespread.

Australia is yet to experience the full impact of the global downturn with depressed commodity prices likely to prompt further cuts in business expenditure, therefore placing additional pressure on an already softening employment market.

Despite this, the extent of the domestic slowdown is forecast to be less severe relative to other countries given Australian banks have comparatively strong balance sheets, more effective monetary and fiscal policy responses and the buffer provided by the sharp fall in the Australian dollar.

Australian property markets, in line with global property markets, are undergoing an adjustment phase and will face a number of challenges in 2009. Across commercial property, refinancing pressure and limited capital, in conjunction with

rising unemployment, will place downward pressure on rents and capital values. In most capital cities and across all sectors, tenant demand has weakened. Retail landlords are increasing incentives to secure tenants, while the office and industrial sectors are experiencing increasing availability of sub-lease space as businesses re-structure or shelve expansion plans. Yields have continued to soften, with the disconnect between buyer and vendor expectations driving asset re-pricing.

## Portfolio update

### Valuations

Valuations on all of the Trust's assets were undertaken as at 31 December 2008 resulting in a total devaluation of \$0.9 million, a decrease of 0.01 per cent on the total portfolio book value.

Capitalisation rates across the Trust's 19 assets have increased on average by approximately 23 basis points to 8.21 per cent.

A total of five assets were valued independently as at 31 December 2008 resulting in a weighted average capitalisation rate of 8.19 per cent, an increase of 19 basis points. The remaining 14 assets were valued internally resulting in a weighted average capitalisation rate of 8.21 per cent, an increase of 24 basis points<sup>1</sup>.

<sup>1</sup> Comparatives are to 30 June 2008.

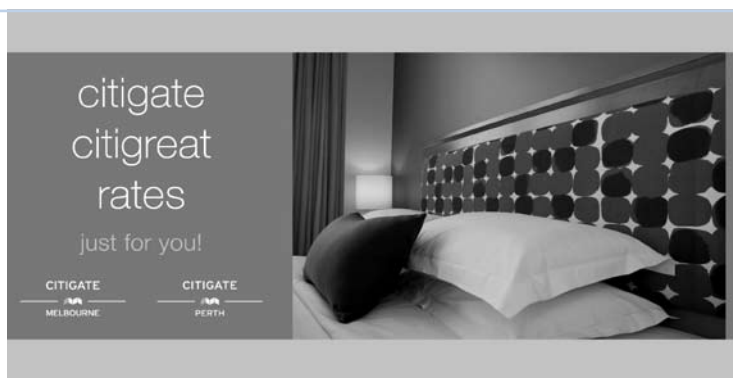
### Exclusive offer to Mirvac PFA investors at our two Citigate Hotels

We are pleased to offer our Investors a **Citigreat Voucher** for the Trust's two hotel assets: Citigate Melbourne and Citigate Perth. This **Citigreat Voucher** entitles investors to discounted room rates at both Citigate hotels.

To take advantage of this exclusive offer please call:

- > Citigate Melbourne 03 9654 6888
- > Citigate Perth 08 9327 7000

The enclosed **Citigreat Voucher** is valid from 1 April 2009 to 31 August 2009 and certain conditions, as outlined on the voucher, apply.



## Key financial statistics

A summary of the 31 December 2008 financial information is provided in the table below:

Six months to 31 December	2008	2007
Total assets (\$'000)	635,108	682,419
Unitholder equity (\$'000)	256,261	329,614
Total income (\$'000)	32,700	33,551
Net operating loss (\$'000) <sup>1</sup>	(33,083)	(3,760)
Net operating loss (cpu)	(14.66)	(1.67)
Operating earnings (\$'000) <sup>2</sup>	9,551	7,543
Operating earnings (cpu)	4.23	3.34
Distribution (cpu) <sup>3</sup>	3.45	4.90
Net tangible assets per unit (\$)	1.14	1.46
Closing market price (\$)	0.60	1.29
Market capitalisation (\$'000)	135,401	291,112
Number of units on issue (\$'000)	225,668	225,668

1 Net operating loss is inclusive of distributions to unitholders as the units of the Trust are considered to be debt instruments in accordance with AASB 132 requirements.

2 Operating earnings is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for specific non-cash items and other significant items, which management consider reflects the core operating earnings of the consolidated entity. Please refer to the Trust's half year accounts for more information.

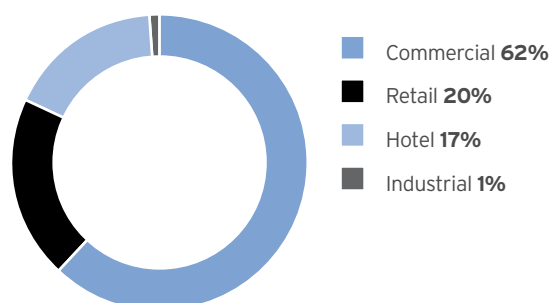
3 Excludes the special distribution of 1.1 cents per unit (31 December 2008) from the sale of Centro on James, and the special distribution of 2.88 cents per unit (31 December 2007) from the sale of 388 Queen Street.

The following table summarises the five independent revaluations undertaken at 31 December 2008:

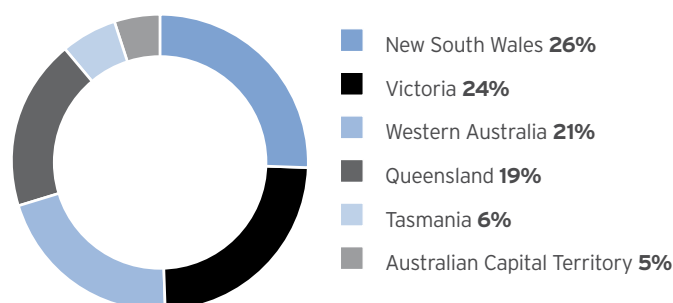
Property	Independent valuation 31 Dec 08 \$m	Book value 31 Dec 08 \$m	Variance to book value 31 Dec 08 \$m	Cap rate 31 Dec 08 (%)	Previous cap rate (%)
657 Pacific Highway, St Leonards, NSW	19.0	19.0	–	7.75	8.25
Foxtel Building, Moonee Ponds, VIC	26.3	27.0	(0.7)	8.13	8.00
The Lands Building, Hobart, TAS	35.0	33.5	1.5	8.75	8.50
180 Queen Street, Brisbane, QLD	24.0	21.1	2.9	7.75	7.50
Cairns Hypermart, Cairns, QLD	22.6	23.6	(1.0)	8.25	7.75

## Direct property diversification

### Asset diversification (by book value)

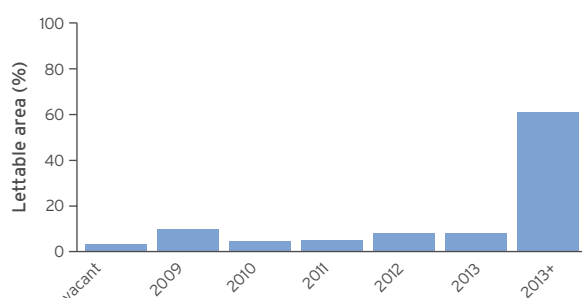


### Geographic diversification



### Lease expiry profile (by gross income)

The weighted average lease expiry, by gross income, is 6.1 years as illustrated in the following chart:



### Top tenants

The top 10 tenants summarised in the table below, provide 61.6 per cent of the Trust's gross income.

Tenant	% of total portfolio's gross income
Government tenants	26.9
Citigate Perth	8.5
Citigate Melbourne	5.5
PBL	4.2
Foxtel Management	4.0
AP Facilities	3.7
AAPT	2.6
Country Road Clothing	2.3
NAB	2.1
MacGillivrays	1.8
<b>Total % of portfolio income</b>	<b>61.5</b>

Information on the Trust's investment portfolio is available from the Trust's website at [www.mirvac.com/mpfa](http://www.mirvac.com/mpfa).

### Leasing activity

The Trust's investment portfolio is currently 96.7 per cent leased. During the December 2008 quarter, there has been some positive leasing activity at the Octagon in Parramatta, New South Wales and the Mowbray Road asset in Lane Cove, New South Wales. Details of this leasing activity is summarised in the table below:

Property	Tenant	NLA (sqm)	Term (yrs)	Comments
The Octagon, Parramatta, NSW	RTA (NSW)	2,200	4	Heads of Agreement signed
	MWH	339	4	Heads of Agreement signed
	Parson Brinkerhoff	339	4	Heads of Agreement signed
706 Mowbray Road, Lane Cove, NSW	NXA Pty Ltd	1,112	10	Lease executed post 31 Dec 08
390 St Kilda Road, Melbourne, VIC	Toll Holdings	400	3	Lease executed post 31 Dec 08

### Debt management

As we advised in our previous update, the Trust was successful in refinancing its debt facility with the execution of all documentation completed on 7 November 2008. All debt is held with major banks – Commonwealth Bank of Australia, the NAB and ING. The new facility runs for three years until November 2011.

The Trust's gearing has decreased slightly from 54.3 per cent at 30 June 2008 to 53.5 per cent at 31 December 2008 as the result of a stronger balance sheet including the sale of Centro on James.

Key details of the Trust's debt facility are summarised in the table below:

Total facility limit (\$m)	355.0
Total interest bearing debt (amount drawn) (\$m)	339.9
Hedging ratio (%)	69.4
Weighted average hedge rate (%)	6.0
Expiry date	Nov 11

General information on the Trust's debt facility and financial risk management is contained in the Trust's half year financial statements dated 31 December 2008 which are available from the website at [www.mirvac.com/mpfa](http://www.mirvac.com/mpfa).



## Going forward

### Distributions

The Trust paid 3.45 cents per unit (0.575 per month) for the six months to 31 December 2008<sup>1</sup>.

### Forecast for 30 June 2009

From 1 April 2009, the Trust's annualised distribution will be increased from 6.9 cents per unit<sup>1</sup> to 7.25 cents per unit<sup>2</sup>, an increase of 5.1 per cent.

### Strategy

Given the weaker economic environment, management will continue its strong focus on active asset management to maintain high occupancy levels across the portfolio, achieve budgeted rent reviews and tenant retention.

Management will pursue the execution of strategies that will help mitigate the impact of the current economic conditions and continue to manage the Trust's balance sheet and capital management program prudently.

We continue to explore initiatives that will provide the Trust with a sustainable strategy into the future. One of the initiatives, as we have previously advised, is to look at more viable liquidity and capital pricing structures for the Trust which we are continuing to work through. We hope to report our recommendations to Investors in relation to this in the very near future.

As outlined in the Investor Update released in December 2008, the Net Tangible Assets (NTA) of the Trust has been impacted primarily by the revaluation of interest rate hedges during the period. The NTA has decreased from \$1.28 at 30 June 2008 to \$1.14 at 31 December 2008.

The following provides an overview of the variances between the two periods:

- > the change in total assets is a result of the sale of Centro on James, property revaluations and additions from the capital expenditure program;
- > the change in unitholder equity relates completely to the 31 December 2008 net operating loss and the net operating loss from 30 June 2008, both of which include distributions to Investors; and
- > the major contributor to the net operating loss is the decrease in the fair value of the derivative financial instruments as a result of downward movements in interest rates.

The Trust's half year financial statements for the period to 31 December 2008 are available from the Trust's web site at [www.mirvac.com/mpfa](http://www.mirvac.com/mpfa).

## Investor information

### Ongoing communication

Investors will continue to receive quarterly updates on the Trust. Ongoing communication and information relating to the Trust will be updated via the Trust's new website at [www.mirvac.com/mpfa](http://www.mirvac.com/mpfa) and may be accessed at any time.

The new website also contains general information on the Trust, such as property portfolio details, distribution information, news and reports. A hard copy of information available on the website will also be provided to Investors on request.

### Complaints

Mirvac PFA Limited (MPFAL) has an established policy for dealing with complaints. Investors wishing to complain should write to:

Mirvac PFA Diversified Property Trust  
C/- Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000

OR

Manager, Investor Relations  
Mirvac Investment Management  
Level 26, 60 Margaret Street  
Sydney NSW 2000

MPFAL is a member of an independent dispute resolution, the Financial Ombudsman Service (FOS).

### Privacy

The responsible entity collects personal information to enable us to tailor our service to the needs of our customers. We only collect personal information directly from customers, for example through application or enquiry forms, letters and visits to our website or our office. If Investors discover that personal information we hold is inaccurate, incomplete or out-of-date, or if they no longer wish to receive material from the responsible entity, they should contact our Privacy Officer on the numbers listed below.

- 1 This does not include the 11 cents per unit special distribution that was paid to Investors in September 2008 as a result of the sale of Centro on James.
- 2 The distribution increase will be applicable for the month ending 30 April 2009 which will be paid in May 2009.

### Registered office and postal address

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### Investor enquiries

Telephone: 1800 687 170

### Unit registry

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World Square 2002  
Telephone: 1800 687 170  
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