



Macquarie Goodman

# Macquarie Goodman Group

Operational Update Q3 - FY07





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# Section 1 – Overview



# Third Quarter in Review

- Assets under management up 5% to \$34.9 billion (+\$1.5 billion)
  - Asia Pacific up 9% to \$11.1 billion
  - Europe up 3% to \$23.8 billion
  - Strong European fund performance over CY06
  - New initiatives in progress across the UK and Australia
- Development volumes remain consistent with WIP at \$3.0 billion
  - \$0.4 billion in completions over the quarter
  - \$0.5 billion in new commitments over the quarter
  - 66% undertaken within managed fund platform
  - Acquisition of UK logistics landbank and development expertise – Rosemound
- Continued recycling of group capital
  - \$0.1 billion of on-balance sheet developments completed
  - \$0.2 billion transacted with the Australian wholesale fund
  - \$0.2 billion disposal of part of the “Lighthouse” portfolio in the UK
  - AELF second close completed reducing the Group’s stake to 27%
  - \$0.3 billion currently warehoused for proposed UK Logistics Fund (“UKLF”)



# Acquisition of Rosemound

## → UK logistics/warehouse market is being redeveloped

- 73% of stock is greater than 7 years old with only 27% considered A grade
- Institutional grade stock around 20 million sqm with 10% pa being added
- Land holdings are paramount due to scarcity and planning issues

## → Rosemound is a leading UK logistics developer

- 30 people with strong track record in the market
- Circa 2 million sqm of developable space (GDV £1.7 billion) over 8 years
- Acquisition price of £336 million (pre costs and net of working capital) of which £75 million is contingent

## → Impact on Macquarie Goodman Group

- Instant scale in logistics development – MGQ 2nd in UK market
- Significant strategic advantage for the UK Logistics Fund launch
- Underpins our pan-European customer offering
- Earnings impact - accretive post UKLF launch – underpins our long term targets
- Gearing increasing in the short-term to 44%



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## Section 2 – UK Logistics Platform



# European Funds Management

- European wholesale fund management platform stands at \$23.8 billion
  - \$14 billion in business space
- Target of 4 key wholesale business space funds in the region
  - ABPP: UK Business Park Fund
  - AEBPF: European Business Park Fund
  - AELF: European Logistics Fund
  - Proposed UKLF: UK Logistics Fund
- Segmentation of platform provides investors with choice
  - Both geographic and asset type
- Development capability provides investors access to enhanced returns
  - Significant point of difference in fund management landscape
  - Provides access to known source of future investment opportunities
  - Provides “off market” avenue for Group AUM growth
- The group has now acquired UK Logistics landbank and expertise
  - Significant competitive advantage for the launch of the UKLF



# UK Logistics Real Estate Market

- Current UK logistics stock is approx 50 million sqm
  - 40% of users are either retailers or 3PLs
  - 91% of future demand is expected to be driven by retailers and 3PLs
- Large proportion of available logistics property is ageing
  - 73% of stock is over 7 years old and only 27% considered A Grade
- CY06 take-up of logistics property was circa 2 million sqm
  - Demand is forecast to continue in CY07/08
- Increased competition within the occupier market is leading to new supply chain initiatives
  - Evolution of technology is driving operational efficiencies which operators are keen to tap
- UK logistics sector is highly fragmented
  - Limited number of "cradle-to-grave" logistics solutions providers
  - Large number of local trader/developers with regional focus





# UK Logistics Platform

- Rosemound is a specialist UK logistics developer
  - 14 individual sites located in key logistics locations
  - Total land area > 4 million sqm
- Established in 2002 by the former directors/shareholders of Kingspark Developments
  - Executive Director – David Keir
  - CEO – Jason Dalby
- Traditional trader/developer model
  - Skilled at consolidating and acquiring land holdings
  - Expertise in site rezoning and planning
  - Developed > 250,000 sqm of GLA over the past 1 year
- Well regarded management team with significant sector expertise
  - 30 staff with coverage in all key development disciplines
  - Employment of all Rosemound staff including 5 management shareholders
- Existing portfolio has the potential for £1.7 billion of end value
  - Circa 2 million sqm of GLA
  - Estimated roll out of 8 years

# UK Logistics Platform - Rosemound

→ The portfolio is located in strategic SE, NW and Midlands locations

- Close proximity to key infrastructure routes
- Compliments existing warehoused stabilised portfolio

	Site	NDA (acres)	GLA (sq ft)
1	Andover, Hampshire	99	1,750,000
2	Bridgwater, Somerset	48	900,000
3	Bristol, Avonmouth	53	1,159,000
4	Burton Upon Trent, Staffordshire	50	800,000
5	Crewe, Cheshire	88	1,500,00
6	Deeside	108	1,000,000
7	Derby	101	2,290,000
8	Desborough	75	1,350,000
9	Hinckley, Leicestershire	81	1,800,000
10	Hoddesdon, Hertfordshire	26	543,000
11	Kingsnorth	150	2,800,000
12	Luton	100	1,780,000
13	Swanley	80	1,600,000
14	Thurrock, Essex	21	478,500
	<b>Total</b>	<b>1,080</b>	<b>19,750,500</b>





# Strategic Rationale

- Provides access to highly sought after investment opportunities
  - Enhances the proposed offering for the UKLF
  - Land to be warehoused for launch of fund
- Allows the Group to service its global customer base in the UK
  - Provides scope to deepen existing customer relationships across UK/Europe
- Creates critical mass for a leading presence in the UK logistics market
  - High quality personnel with significant UK experience
  - Second largest logistics landbank in the UK market
- Increases scale in a highly fragmented market



# Consideration and Financial Impact

- Acquisition of land and business for £336 million (\$840 million) pre-acquisition costs and net of working capital
  - £261 million (\$653 million) payable on completion
  - £30 million (\$75 million) contingent on land approvals
  - **£291 million (\$728 million) total (consented land)**
  - £45 million (\$113 million) contingent on performance
- Contingent component linked to medium term value creation
  - £30 million (\$75 million) contingent on planning / rezoning approvals
  - £45 million (\$113 million) contingent on development value creation over 3 years
- Acquisition to be funded via debt
  - Gearing in short-term increases to 44% post completion
  - Forecast to revert to within target range of 35% - 40% post launch of UKLF
- Earnings outlook for FY07 unchanged
  - Remain comfortable with consensus EPS of 31.5cps
  - Positive contribution from FY08 upon launch of UKLF
  - Expect to maintain earnings mix of around 80% recurring and 20% development



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## Section 3 – Regional Operations



# Regional Update - Asia Pacific

## Management services

- Growth in AUM of 9% to \$11.1 billion
  - \$0.3 billion growth in AREIT
  - \$0.3 billion growth in MGWA
- MGWA is undertaking a \$500 million equity raising
  - Has acquired 6 assets from the Group for \$211 million at a 7.6% cap rate
  - Entitlement issue to primarily fund future development workbook – providing circa \$1 billion investment capacity
  - Group committing to its 30% pro-rata share
- AREIT portfolio has expanded to \$2.8 billion
  - Acquisitions and developments totalling \$0.3 billion announced
  - Completed a \$0.1 billion equity raising to fund acquisitions and developments



# Regional Update - Asia Pacific

## Development activity

- \$336 million of development completions during the period
  - 76% within managed fund platform
  
- \$221 million of new development commencements during the period
  - 76% pre-committed, 11.3 year WALT
  - 79% within managed fund platform
  
- New major development initiatives
  - Woolworths at Erskine Park, NSW, 52,930 sqm for 15 years
  - Aristocrat at North Ryde, NSW, 15,000 sqm for 12 years
  - Futuris at Edinburgh Parks, SA, 19,550 sqm for 6 years
  - Pacific Print at Highbrook Business Park, NZ, 10,750 sqm for 12 years



# Regional Update - Asia Pacific

## Investments

- MGWA acquired \$211 million from the Group
- Conducting \$500 million raising
  - Group committing to reinvestment of \$150 million (30% pro-rata share)
  - Raising has been structured in 2 tranches – 50% in July 2007 and 50% in January 2008
- Group has entered into an agreement to increase its stake in MGWHK to 20% (up from 16%)
  - Acquisition of additional 4% will be acquired at NAV from Asia JV partner MBL
  - Holding level consistent with long-term cornerstone target of 20% - 30%
- Warehousing initiatives for China operations continue
  - Acquisition of Lotus facility for \$20 million
  - 10 year lease to Lotus
  - Total portfolio under contract now \$60 million





# Regional Update - Europe

## Management services

- Growth in AUM of 3% to \$23.8 billion
  - \$0.1 billion growth in wholesale platform
  - \$0.9 billion growth in direct/indirect funds management platform
  
- AELF has acquired \$125 million over the period
  - Launched Dec '06 with \$450 million in initial assets and committed equity of \$1 billion
  - Post launch acquisitions primarily sourced from in house development programme
  
- Proposed UKLF scheduled for FY08
  - Acquisition of Rosemound provides significant logistics landbank and expertise
  - Proposed stabilised/development investment mix to be similar to ABPP (80/20 split)
  - Development program to provide Fund with ability to seek value enhanced returns
  - Current warehoused investments either owned or under consideration of \$0.5 billion



# Regional Update - Europe

## Management services (cont)

- Significant outperformance by ABPP of 7.8% over CY06
  - Exceeded benchmark of 17.8%
  - Outperformance driven by access to development landbank within fund and strong market fundamentals
  - Consolidation of Akeler acquisition in December 2006 to drive future development programme
  - Acquisition of remaining 50% Hammersmith J/V will add £150 million to GDV of the fund
- Strong total return performance across managed funds in CY06
  - Avg. total return across platform of 21.6% versus avg. benchmark of 18.5%
  - 100% of funds managed by the Group either met or exceeded the IPD all properties benchmark
- Direct and Indirect funds management business with £1.3 billion of unsatisfied demand



# Regional Update - Europe

## Development activity

- \$106 million of development completions during the period
  - 67% within managed fund platform
  
- \$264 million of new development commencements during the period
  - 87% precommitted, 11.7 years WALT
  - 61% within managed fund platform
  
- New major development initiatives
  - Amazon, UK, 75,000 sqm for 15 years
  - Amazon, France, 46,000 sqm for 9 years
  - A consumer electronics manufacturer, Germany, 20,000 sqm for 10 years
  - An office supplies distributor, Germany, 45,000 sqm for 15 years
  - NYK, Poland, 23,000 sqm for 10 years



# Regional Update - Europe

## Investments

- AELF second close completed with the Group retaining 27%
  - First close in December 2006 the Group held 40%
  - Second close facilitated a number of investors to complete due diligence process
  - Current Group holding in line with long term cornerstone holding level of 20%-30%
  
- Disposal of part of the Lighthouse portfolio (\$203 million)
  - Initial portfolio of logistics and suburban office assets acquired September 2006
  - Logistics assets held as warehouse for proposed UKLF
  - Disposal of 3 suburban office assets as they did not meet the investment objectives of the Group or the managed fund platform
  
- Warehousing initiatives for proposed UKLF continue
  - Over \$500 million currently owned or under due diligence (ex Rosemound assets)
  - Rosemound provides development landbank and expertise



# Thank You

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