



Dear Investor

Welcome to the latest edition of V News. Our newsletter is designed to showcase Valad's recent achievements and provide investors with an insight to how we will secure further growth in 2008.

Our strategy of identifying deep and reliable income streams from diversified property sectors internationally held us in good stead during 2007, allowing us to boost assets under management to circa A\$20 billion.

Built on the superior execution ability of our property experts in Asia Pacific, the UK and throughout Continental Europe, we are confident this strategy will underpin our continued success in the coming year.

We are never content to rest on our laurels. Each and every one of us at Valad remains on the lookout for the next "value-add" opportunity; that's at the heart of our corporate philosophy and has underpinned our performance since inception.

With the mid-year acquisition of the pan-European property group, Scarborough, and a spate of transactions in Asia Pacific, the potential for Valad to continue growing and winning the support of current and new investors has never been greater. We now have more than 400 staff worldwide, and a pipeline of opportunities across asset classes which include office, residential, retirement, self storage, industrial and retail.

This expansion is due, in no small part, to the commitment and energy of all our staff, from the transaction-oriented to those that strive for excellence in reporting, accounting and financial management, as well as property and asset management.

In the Asia Pacific region, Jeff Locke took up the reins in mid-2007 as Chief Operating Officer and has guided a significant growth phase for the company that has included the purchase of Carter Holt Harvey assets in Australia and New Zealand, the Pentridge investment in Melbourne, a significant investment in the Top Ryde retail redevelopment in Sydney, and the Noosa Sheraton purchase on Queensland's Sunshine Coast.

While the sub-prime mortgage crisis in the USA became front page news in the latter half of 2007, we remain very confident that Valad has both the business strategy and management team in place to ensure our continued success.

In late December 2007 we confirmed to investors that Valad has a strong balance sheet position and an average debt maturity of 3.3 years. We also have a moderate level of gearing and excellent support from our equity investors and lending partners to take advantage of the attractive market opportunities in our pipeline. Furthermore, we have retained our FY08 guidance for 12%+ growth in distribution and earnings.

On 21 June 2007, the Federal Government passed the *Corporations Legislation Amendment (Simpler Regulatory System) Act 2007* ("Act"). This Act enables us to distribute our Annual Report electronically to investors. We believe that this will provide our security holders with a better way to access information they require from the Annual Report, will save costs and will have a beneficial effect on the environment. If our records show that you have not made a nomination to receive shareholder correspondence by email, you will receive a form included with this newsletter which provides you with the option to continue to receive the Annual Report in hard copy.

Thank you for giving us some of your important time to read this issue of V News. We look forward to your continued support throughout 2008.

Yours sincerely,

Stephen Day
Chairman

Peter Hurley
Executive Director
Executive Chairman – Europe

VALAD

For persons use only

→ Valad Europe

Valad's pan-European diversification strategy complements the successful formula underpinning the Group's operations in Asia Pacific. The extent of Valad's pan-European reach is evident in our presence across 18 countries within Europe, including France, Germany, Norway, Finland, the Netherlands, Luxemburg, Italy, Scotland, Ireland, Poland, Wales, Hungary, Belgium, England, Czech Republic, Denmark, Sweden and Romania.

With the A\$2 billion dollar acquisition of Scarborough and Teesland now completed, Valad Europe owns, trades, manages and develops quality assets stretching across the industrial, residential, retail, commercial and alternative property sectors throughout the region.

At the end of September 2007, Valad Europe had total Assets Under Management (AUM) of over A\$11 billion that accounted for around half of the Group's total AUM.

Led by Peter Hurley, Valad Europe continues to pursue tremendous opportunities reflecting its solid financial position and management expertise with on-the-ground experience ranging from the UK in the west through to the Nordic countries such as Finland in the north and Poland in the east.

Valad's European opportunities:

- Are sourced through our local acquisition teams with extensive local relationships and access to unique opportunities not readily available to other investors;
- Benefit from the scale of the European property market which is experiencing unprecedented growth in the securitisation and indirect investment markets;
- Take advantage of countercyclical opportunities when and where they arise, providing attractive investment opportunities;
- Complement and provide product for our opportunity and development funds addressing investor demand for products higher up the risk curve; and
- Include our Valad Capital Services (VCS) rollout which leverages off our existing platform.

After playing a central role in the acquisition of Scarborough, Peter Hurley relocated from the Sydney head office to Valad's London office in mid-2007. As Executive Chairman of Valad Europe, Peter is overseeing the integration and rebranding of the Scarborough and Teesland operations that boosted the Group's total staff by more than 280 across 19 offices.

Martyn McCarthy has also moved to London from Sydney as Chief Investment Officer – Europe and is responsible for Valad's acquisition and divestment of real estate and other investments in the region.

Valad Europe has a well-diversified and balanced business, including development, trading, investment and funds management operations that can readily take advantage of market changes now evident in some of Europe's markets.

In December 2007, Valad responded to market concerns about the global credit crunch by confirming that it has significant funding facilities available at both the Group and fund levels to take advantage of market opportunities as they arise and that it continues to have strong relationships with all of its corporate lenders, including Halifax Bank of Scotland (HBOS).

The Scarborough acquisition has created an integrated platform including a property portfolio, property services and a funds management business in the UK and Europe. In particular, Teesland provides many long-dated funds with recurring annuity-style revenues and a scalable platform upon which other business lines may be overlaid with limited cost and the potential for substantial incremental revenue gains. The highly successful Nordic Aktiv Fund series includes Nordic Aktiv Fund 1, which has achieved total returns and a net asset value (NAV) significantly above forecasts in its first full year of operations and Nordic Aktiv Fund 2 which recently closed its first raising oversubscribed and ahead of schedule at A\$150 million.

Valad Europe's property portfolios include the two joint ventures with HBOS, comprising a €1.25 billion warehousing facility partnership and a €219 million joint venture facility to provide repositioning and restructuring opportunities.

Teesland, which was listed on the London Stock Exchange and 72.3% owned by Scarborough, is now wholly-owned by Valad following an offer to minority shareholders launched in early December 2007. The benefits provided by the full acquisition include a faster pace of rebranding and integration, reduced administrative and regulatory costs (including no listing fees), a single reporting process and complete alignment with all of Valad's business units.

Other recent Valad Europe highlights include:

- Execution of approximately A\$700 million of acquisitions throughout Europe and the UK across funds, warehouse facilities and Valad's balance sheet;
- Extension of the £300 million Osprey fund from 2009 to 2016;
- The Osprey fund regained its top position on the HSBC/AREF Index (the UK's leading index for measuring pooled funds) with one and three year returns to 30 September 2007 of 12% p.a. and 20% p.a. respectively, which represent outperformance of more than 200 bps over the nearest competitor;
- The UK iO funds are experiencing strong tenant demand with increasing occupancy levels and new leases being struck in excess of estimated market rents; and
- Securing first close on the German Aktiv Fund, with the €2 billion asset target expected to be reached within two years. Valad has also opened offices in Munich, Hamburg and Frankfurt since mid-2007.



“ Valad has a well-diversified and balanced business, including development, trading investment and funds management operations that can readily take advantage of market changes ”

For personal use only

VALAD SHOWS SHEFFIELD SUPPORT

Valad significantly boosted its international profile and assets under management with the acquisition of pan-European property group Scarborough. We were also very pleased to have Kevin McCabe and Ian Robertson join our board of directors as a result of the mid-2007 transaction and welcome their expertise on the European markets. Kevin was the driving force behind Scarborough while Ian was a senior executive



at major UK bank HBOS which remains one of Valad's key partners. Kevin is also the most passionate fan, as well as chairman, of the Sheffield United Football Club which is known by supporters around the world as The Blades. Sheffield United now counts Valad Europe as a sponsor and, based on this photo, can also count on the support of football superhero Pelé.

Castle Business Park, Stirling, United Kingdom.

Pan-European Reach

Noosa North Shore, Queensland, Australia – Joint venture project with Petrac Property Group.



Developing Powerful Partnerships



Top Ryde Shopping Centre, New South Wales, Australia – Preferred equity joint venture with the Beville Group.



Capelle, Netherlands – VCS Crownstone Portfolio managed by CPIM.

For personal use only

Valad Capital Services (VCS) has established itself as a solid contributor to the Group's overall success with investments across Asia Pacific and Europe. Its track record of high quality partnerships, comprehensive due diligence and confident execution reflects the Group's approach to property markets worldwide.

Offering property investment banking and structured financial solutions to third party property investors and developers, VCS has achieved terrific market support since it was established in late 2005. It has a diversified portfolio across a number of asset classes including: commercial, retail, industrial, residential, retirement and mixed use, with a high relative weighting to the income producing commercial/office sector.

Valad's Chief Operating Officer, Jeff Locke, describes the VCS business as unique in this market and highlights that the division's contribution to the Group cannot be underestimated as in addition to the strong returns on investments it provides the potential for consistent product flow "that can be fed into our real estate investments business and ultimately into our funds management platforms".

VCS and its property market professionals have put in place a strategic investment framework that is differentiated from its peers. Unlike many of its "financier" competitors, whose antecedents are firmly rooted in the banking sector, the VCS team's in-depth knowledge has been gained by many years of experience within the property sector and they can therefore take a "property view" of transactions. Valad provides a flexible and "value-add" financial solution to customers as well as a commitment to working in a genuine relationship with long-term partners.

"Offering financing solutions within a property company has been a terrific differentiator," says Paul Notaras, the Group Head of Valad Capital Services. "The business is growing very strongly," he adds, summing up a year which included the A\$294 million investment in the Crownstone European property portfolio in February 2007. This pan-European office fund now comprises 15 properties valued at €820 million with significant upside potential underpinned by a large number of quality corporate tenants. "Our deal pipeline is very strong," Mr Notaras adds, noting that the global credit crunch has provided many quality opportunities both domestically and in Europe. At 30 September 2007, VCS estimated its pipeline in the Asia Pacific region to have an approximate end value of A\$1.5 billion, with the UK/European pipeline standing at over A\$450 million.

The significant growth achieved by VCS in the past year is evidenced by the increase in equity commitments from Valad to various VCS investments standing at A\$713 million at 30 September 2007 compared with A\$570 million at 30 June 2007 and A\$160 million at the end of FY06.

The forecast end value of VCS investments as at 30 September 2007 was A\$5.7 billion. The portfolio is performing well with three positions realised to date generating equity IRRs of 20% and above and other projects performing in line with expectations.

The VCS business is characterised by a significant level of diversity. It has formed relationships with 16 joint venture partners and completed 32 deals across 48 properties. This diversity does not compromise the quality in relationships and projects undertaken by the team which has a rigorous approach in the selection of partners and projects. Indeed, it is a benchmark that is intentionally set very high, and VCS has "walked away" from potential deals, admits the Asia Pacific Head of VCS, Alastair Wright. "Our comprehensive due diligence process, both in terms of our partners and specific projects, ensures that risk is managed effectively," Mr Wright notes.

"The A\$840 million redevelopment of the Top Ryde Shopping Centre owned by the Beville Group is a good example of a complex project where we were able to act quickly and provide a comprehensive financial solution, meeting both our desired financial outcome and the needs of our partner. This is a really exciting opportunity with Valad committing an initial A\$60.6 million of preferred equity to the project that will reinvigorate and transform the Ryde district," says Mr Wright. The Beville Group will redevelop the existing 20,000 square metre centre into a multi-level retail complex of over 70,000 square metres that will reflect the latest in retail architectural and technological design.

The VCS commitment to finding the right partner is central to ensuring that its joint ventures are successful and its strategic objectives are realised. This approach has the wholehearted support of Petrac, a Brisbane-based property company. Petrac is a long-term partner of Valad and has agreed to a three-way venture in the national rollout of retirement villages in Australia, drawing on the expertise of US sector leader Harvest.

"Valad and its VCS division have always been prepared to provide advice, not just money, and that has been very attractive," says Petrac's Chief Executive Officer, Peter McAvoy. Among a long list of factors which deems Valad a partner of choice, Mr McAvoy cites the Group's experience, commitment to due diligence, strong focus on adding value early in the life of a project, and complementary cultural fit with Petrac.

Mr Locke has his own take on why the Group prides itself on selecting other highly skilled and experienced companies that help add value to all projects.

"We are very good joint venture partners," he says. "Some organisations don't deal with partnerships that well, they need to have 100% or they need to be in complete control. But that is not the nature of Valad. We acknowledge that both the quality and number of our relationships and partnerships has aided our growth in the five years since Valad listed."

He concludes, "It is perfectly natural and it is actually, in some markets and in new markets, reassuring to enter into transactions with experienced joint venture partners that provide compatible and incremental skill sets."

"Experienced joint venture partners provide compatible and incremental skill sets"

→ Valad Residential Projects

The impressive growth of Valad's residential division, which now has staff in three Australian states and a large investment pipeline for 2008, is reflective of the achievements of Valad's Manager, Residential Projects, Sam Renauf; AJ Bear, one of his key offshoots, and the team. Indeed, as one of Australia's most successful alpine and Olympic skiers in the past decade, AJ knows how to stay on his feet at high speed more than most people (more later).

"A highlight for us in 2007 has been the expansion of our residential presence and the amalgamation of a high quality portfolio," says Mr Renauf. "Each asset in the portfolio has an identified opportunity where Valad's skill sets are able to come to the fore," he adds.

Valad's investments now range from projects aimed at first home buyers such as Oran Park and Bligh Park (both in Sydney), Craigieburn, Victoria and Griffin, Brisbane (now identified as a key hot spot for first home buyers); mid-range projects such as Pentridge Piazza, Melbourne, and Alphington, Melbourne; to high-end projects such as Sydney's Goldfields House (currently being assessed for residential development) and the Sheraton Noosa resort on Queensland's Sunshine Coast. As the Group pursues its commitment to securing value-add opportunities in all asset classes, the growth of the residential projects division provides further diversification of Valad's income sources and imparts an offset against cyclical events that may be experienced in other parts of the property market.

"In each one of these projects we have been quite determined to demonstrate the delivery capability of the team," Mr Renauf notes. The team now has representatives in Melbourne and Brisbane, and five staff members in the Sydney head office where Stephen Day and Peter Hurley began residential operations in the mid-1990s. The current team has been able to draw on and expand the initial vision of Stephen and Peter to achieve the success that it has to date.

Mr Renauf nominates three standout deals in 2007 which highlight the team's ability to source opportunities. "If you look at Pentridge, Alphington, and Noosa they are unique projects that were executed by leveraging off the strong transaction expertise and deal sourcing capability of the team," he says.

Spread across eight hectares and just seven kilometres north of Melbourne's CBD, the Pentridge investment was acquired at a good price and at the right time as the city's apartment market undergoes resurgence.

"We see significant opportunities for upside there, with a potential 10 year delivery pipeline," Mr Renauf says of the project that comprises apartments, retail and commercial developments. Each aspect of the project requires close and detailed cooperation with the Victorian State Government to preserve its heritage significance. "There are very few sites like this in Melbourne," he notes.

Mr Renauf is similarly upbeat on Alphington, a one hectare residential project on the banks of the Yarra River in Melbourne's eastern suburbs. "You would have to say that was one of our milestone transactions, even though it is a small project it was probably one of our more meaningful acquisitions," he says, citing "unique features" such as Alphington's river and reserve frontage, very strong demographics and location.

On the Sheraton Noosa acquisition, Mr Renauf said Valad continues to explore a number of options for the Noosa beach location. "We are very happy with this acquisition. We were able to acquire it off-market, which is a key differentiator for Valad. We expect this asset to start delivering strong returns in the current year and the positive market reaction seems to endorse our acquisition," he says.

Goldfields House at Circular Quay in Sydney is a similarly impressive repositioning project for Valad, Mr Renauf adds, citing "the ability to have north facing apartments with expansive views taking in all of Sydney's internationally recognisable icons in what is deemed to be one of the best harbours in the world".

And further expansion is on the cards for 2008. The team intends to expand the current portfolio, although emphasises that a measured approach will be adopted. Nevertheless, when quality opportunities are identified, the team will move quickly and efficiently to execute transactions in the same manner as they have done in the past.

"We will leverage off our exposure in those three States (Victoria, New South Wales, and Queensland) and at the moment we are undertaking exclusive due diligence on a number of projects in those areas to build on our portfolio," Mr Renauf said.

Working on the team's growth strategy is ski champion AJ Bear, who joined Valad in 2006 after representing Australia at the Winter Olympics in northern Italy. While the Games weren't memorable for AJ, who wasn't allowed to compete in his favoured event, he proudly ended his career as a 12-time national champion and two-time Winter Olympian.

AJ, who received First Class Honours in his Bachelor of Commerce degree whilst skiing competitively, has applied the focus and dedication involved in sport to his career. This commitment has been the key to his success at Valad over the past 18 months, during which time he has progressed from an analyst to the transaction side of operations, alongside Mr Renauf.

"It is different but equally challenging and competitive," AJ says. And while Mr Renauf might see a hot marketing opportunity, AJ adds there is "no chance" of clipping his boots on for one last crack at the 2010 Winter Olympics.



"A highlight for us in 2007 has been the expansion of our residential presence and the amalgamation of a high quality portfolio"

For personal use only



Pentridge Piazza, Melbourne, Australia – Residential, retail and commercial development.

Off-Market Deals Differentiate Valad



Pacific Pines Estate, Lennox Head, New South Wales, Australia – Residential subdivision with retirement and retail precincts. Joint venture with Petrac Property Group.

*Above: Noosa North Shore – South, Queensland, Australia – Residential joint venture project with Petrac Property Group.
Below: Sheraton Noosa Resort & Spa, Noosa, Queensland, Australia.*



ABOUT VALAD

Valad is a diversified, value adding property fund manager, investor, developer, and property investment banker with an Asia Pacific and pan-European platform.

Valad has been providing domestic and international property investors with superior returns across the full risk/return spectrum since 1995, currently has circa A\$20 billion of Assets Under Management, and is a Top 150 ASX Listed Company.

Valad's revenue is diversified across the operations of the Group, extending over a broad range of property sectors, including office, industrial, retail, residential, leisure, hotels, retirement and self storage, as well as being geographically diverse with 23 offices in 12 countries. Valad's capital sources are also diversified, and include domestic and international pension funds, wholesale investors, retail and high net worth investors, banks and financial partners.

Pursuing a global vision for its funds management business, Valad is building on its reputation for the creation of innovative investment products across key property sectors, sourced by its talented team of investment, property and finance professionals. Valad's diverse array of managed funds range from higher return opportunity funds to the lower risk core-style Valad Property Trust. Valad develops sophisticated fund opportunities for domestic and international investors, providing the "value-add" that underpins the Group's name and philosophy.

Valad will continue to seek opportunities to "value-add" in new and existing markets to further grow and diversify its earnings whilst meeting the aspirations of shareholders, investors and staff.

OUR VISION

Valad strives to be recognised as a market leader in all of the regions within which the Group operates by implementing a "value-add" philosophy across each of its diversified business lines: property ownership, development, funds management and investment banking.

www.valad.com.au

No information contained in this document should be construed as advice, a recommendation, an offer for the sale of or a solicitation to hold, acquire, apply for, purchase or sell shares, financial products or other instruments in the Valad Property Group (VPG) or any other entity. None of the information contained in this document should be relied on or construed as financial product advice.

This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on this information, you should consider its appropriateness, having regard to your objectives, financial situation and needs and seek appropriate independent advice.

VPG and its related entities do not make any representations or give any warranties that the information set out in this document is or will remain accurate or complete at all times and they disclaim all liability for harm, loss, costs, or damage which arises in connection with any use or reliance on the information.

None of the information contained in this document should be construed as a forecast about any matter.

Past performance is not a reliable indicator of future performance.

Valad Property Group
Level 9, 1 Chifley Square
Sydney NSW 2000
www.valad.com.au
Telephone: +61 2 8257 6600
Toll free (Australia): 1800 825 231

VALAD

precinct.com.au

132 Arthur Street,
North Sydney,
New South Wales,
Australia – in the active
portfolio of VPlus the
Valad Core Plus Fund.