

BABCOCK & BROWN JAPAN PROPERTY TRUST

Babcock & Brown Japan Property Management Limited · ABN 94 111 874 563
as responsible entity of the Babcock & Brown Japan Property Trust ARSN 112 799 854
Level 39 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia
T +61 2 9229 1800 · F +61 2 9235 3496 · www.bbJapanpropertytrust.com



ASX Release

20 July 2006

ANNUAL PERFORMANCE AND PROPERTY REVALUATIONS

Key points:

- The Trust's total return of 47.3% outperformed by 30.1% its benchmark return of 17.2%.
- A performance fee of \$30.8 million has been earned by the responsible entity of the Trust of which about \$8 million is payable in the current year and the balance in future years
- Three office properties have been revalued resulting in increased portfolio value to ¥94.6 billion (1.9% increase).
- The forecast distribution of 5.38 cents for the six month period ended 30 June 2006 is confirmed.

Annual Performance

Babcock & Brown Japan Property Trust's (the Trust) (ASX: BJT) performance fee reflects the Trust's significant outperformance of the S&P ASX 200 Property Accumulation Index ("Benchmark Index") for the year ended 30 June 2006. During this period the S&P BJT Accumulation Index ("Trust Index") increased by 47.3% compared to the Benchmark Index increase of 17.2%. This represented a total outperformance of 30.1%.

As a consequence of this strong outperformance, a Trust Performance Fee of \$30.8 million (excluding GST) has been earned by its responsible entity, Babcock & Brown Japan Property Management Limited ("BBJPM") for the year ended 30 June 2006.

BBJPM is entitled to a performance fee where the Trust Index outperforms the Benchmark Index for any year ended 30 June. The performance fee has two tiers:

- Tier 1: 5% of outperformance up to 2% over the benchmark multiplied by market capitalisation; and
- Tier 2: 15% of outperformance greater than 2% over the benchmark multiplied by market capitalisation.

The Trust Performance Fee will be reduced by any Asset Performance Fee payable. The Asset Performance Fee is based on the underlying performance of the property interests in the portfolio and will be finalised after completion of the audit for the year ended 30 June 2006. The Asset Performance Fee is not expected to exceed the Trust Performance Fee, therefore the total performance fees payable by the Trust are expected to be \$30.8 million.

Under the Trust's Constitution there is a limit on the total amount of asset management and performance fees which BBJPM and its affiliates can be paid in any one fiscal year, equal to 1% of the adjusted gross asset value at the end of that year. Any excess will be carried forward (for up to three years) and only paid at the end of each subsequent year to the extent that fees for that year do not exceed 1% of the adjusted gross asset value. In any event excess which has been carried forward for three years are then paid in full.

As a result of the above limit, approximately \$8.0 million of the performance fee is currently payable and \$22.8 million will be carried forward for payment in future years. Total deferred performance fees, including fees carried forward from prior years, are now \$25.9 million, which represents approximately 2.3% of the Trust's unaudited gross asset value.

Property revaluations

In accordance with the Board's policy, based on independent valuations by CBRE, the Directors of BBJPM have resolved to revalue three of the Trust's office properties at 30 June 2006. The revaluation represents an 8.6% increase, or an increase of approximately ¥1.7 billion (A\$20.5 million¹), in the value of these properties.

The revaluation of the three properties increases the total value of the Trust's portfolio at 30 June 2006 by 1.9% from ¥92.9 billion to ¥94.6 billion (A\$1.1 billion¹).

Revalued properties as at 30 June 2006:

Property name	Book value at 30/06/06 pre revaluations (¥ billion)	Book value at 30/06/06 post revaluations (¥ billion)
<i>Office Properties</i>		
Shinjuku Sanei	9.2	9.7
Ginza Dowa	7.8	8.7
Sun	3.3	3.6
Total	20.3	22.0

The properties have increased in value due to increased achievable rents and cap rate compression.

¹ JPY/AUD exchange rate of ¥85.19

BABCOCK & BROWN
JAPAN PROPERTY TRUST

A table illustrating the carrying value of the whole portfolio as at 30 June 2006 is attached.

Impact on Net Asset Value and Gearing

Following the accrual of the performance fees and the revaluation of these properties the un-audited Net Tangible Asset (NTA) of the Trust is \$1.19 per unit.

As a result of these revaluations, the Trust's gearing ratio (interest bearing debt / property value) will be approximately 50.9%, at the low end of its stated preferred gearing range of 50% to 60%.

Eric Lucas, Managing Director, of BBJPM said "We are very pleased with the considerable outperformance of the Trust and also with the strong underlying performance of the property portfolio. This is reflected in the reaffirmation of our forecast distribution of 5.38 cents per unit for the six month period ended 30 June 2006. This equates to an annualised distribution of 10.76 cents, whereas at the time of the Trust's IPO in April last year the full year forecast to 30 June 2006 was 8.7 cents. To have achieved such an improvement over this period without any increase - in fact a slight reduction - in gearing is a wonderful result and positions us very well for further distribution growth, which remains our focus."

¹ JPY/AUD exchange rate of 85.19

ENDS

Investor and media enquiries:

Eric Lucas Babcock & Brown Phone: +61 2 9229 1800 (Australia) +81 3 3238 1671 (Tokyo)	Kelly Hibbins Babcock & Brown Phone: +61 2 9229 1800
------------------------------------------------------------------------------------------------	------------------------------------------------------------

About Babcock & Brown Japan Property Trust

Babcock & Brown Japan Property Trust is a listed property trust which invests into the real estate market of Japan. It currently holds interests in a portfolio comprising 31 office, retail and residential properties.

The Responsible Entity of the Trust is Babcock and Brown Japan Property Management Limited, a subsidiary of Babcock & Brown. Asset management services in Japan are generally undertaken by Babcock & Brown Co., Ltd., which is also a subsidiary of Babcock & Brown.

For further information please see our website:

<http://www.bb-japan-property-trust.com>

REVALUED PORTFOLIO AS AT 30 JUNE 2006

	CARRYING VALUE		
	Book value at 30/06/06 pre revaluations (¥ billion)	Book value at 30/06/06 post revaluations (¥ billion)	% of portfolio
<u>Retail</u>			
Kawasaki Dice	14.2	14.2	15.0%
Konan Home Centre	10.8	10.8	11.4%
Mukomachi Saty	5.0	5.0	5.3%
Shinjuku Fuji	4.8	4.8	5.0%
Harajuku Bell Pier	2.4	2.4	2.5%
Kuroshio Shijo	2.4	2.4	2.5%
Motomachi	2.3	2.3	2.4%
Sapporo Toys R Us	1.8	1.8	1.9%
Kajicho Ekimae	1.2	1.2	1.3%
Retail sub total	44.8	44.8	47.3%
<u>Office</u>			
Shinjuku Sanei	9.2	9.7	10.3%
Ginza Dowa	7.8	8.7	9.1%
Kokusai Nihombashi	5.8	5.8	6.2%
Sun	3.3	3.6	3.8%
Higashi Totsuka	2.7	2.7	2.8%
Sun Ace Tokugawa	2.3	2.3	2.4%
Takadanobaba	1.8	1.8	1.9%
Forest Kita Aoyama	1.6	1.6	1.7%
OS Tsukiji	1.6	1.6	1.7%
Prime Kanda	1.4	1.4	1.5%
Asakusa	1.3	1.3	1.4%
Shiba Daimon	1.0	1.0	1.0%
Prime Tsukiji	0.9	0.9	1.0%
Yotsuya KD	0.8	0.8	0.8%
Akabane	0.8	0.8	0.8%
Daikanyama Takara	0.8	0.8	0.8%
Showa Yakubo	0.7	0.7	0.7%
FT Nihombashi	0.6	0.6	0.6%
Sun No. 5	0.5	0.5	0.5%
Office sub total	44.6	46.4	9.1%
<u>Residential</u>			
G-Clef Kamata	1.9	1.9	2.0%
Prime Stay Tsukiji	0.8	0.8	0.9%
Nishi-Kasai	0.7	0.7	0.8%
Resid. sub total	3.4	3.4	3.6%
TOTAL	92.9	94.6	100%

* figures rounded to one decimal place.