

19 October 2006

Sydney

Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000 Australia
GPO Box 3698
Sydney NSW 2001
www.challenger.com.au

Telephone 02 9994 7000
Facsimile 02 9994 7777

The Manager
Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Dear Sir

Re: Notice of ceasing to be a substantial holder ~ Babcock & Brown Japan Property Trust (BJT)

We enclose notice of ceasing to be a substantial holder in Babcock & Brown Japan Property Trust. This notice is given by Challenger Financial Services Group Limited and each of its subsidiaries named in Annexure 1 to this notice.

Yours faithfully



Suzie Koeppenkastrop
Company Secretary

attach

Melbourne Level 10, 101 Collins Street PO Box 297, Flinders Lane, Melbourne VIC 3000 Telephone 03 8616 1800 Facsimile 03 8616 1889
Brisbane Level 9, CLIA Building 175 Eagle Street GPO Box 3234, Brisbane QLD 4001 Telephone 07 3218 8000 Facsimile 07 3220 3132
Perth Level 3, 55 St Georges Terrace PO Box 25065, St Georges Terrace, Perth WA 6831 Telephone 08 9223 7800 Facsimile 08 9221 2499
Adelaide Level 1, 212 Pirie Street Adelaide SA 5000 Telephone 08 8211 7777 Facsimile 08 8212 1661

Challenger Financial Services Group Limited ABN 85 106 842 371 Challenger Group Services Pty Limited ABN 91 085 657 307
Challenger Life No.2 Limited ABN 44 072 466 938 AFSL 234670 Challenger Commercial Lending Limited ABN 65 000 033 143
Challenger Managed Investments Limited ABN 94 002 835 592 AFSL 234658 RSE Lic. No. L0002087
Challenger Listed Investments Limited ABN 04 055 293 644 AFSL 236 837 CIF Investment Trust 1 ARSN 114 139 703 CIF Investment Trust 2 ARSN 114 139 632
Challenger Wine Trust ARSN 092 960 090 Challenger Management Services Limited ABN 29 092 382 842

174/CG045/0504

Form 605

Corporations Act 2001
Section 671B

Notice of ceasing to be a substantial holder

To Company name/Scheme **Babcock & Brown Japan Property Trust**
ACN/ARSN **112 799 854**

1. Details of substantial holder (1)

Name **Challenger Financial Services Group Limited (and each entity named in Annexure 1)**
ACN (if applicable) **106 842 371**

The holder ceased to be a substantial holder on **17.10.2006**
The previous notice was given to the company on **16.06.2006**
The previous notice was dated **16.06.2006**

2. Changes in relevant interests

Particulars of each change in, or change in the nature of, a relevant interest (2) of the substantial holder or an associate (3) in voting securities of the company or scheme, since the substantial holder was last required to give a substantial holding notice to the company or scheme are as follows:

Date of change	Person whose relevant interest changed	Nature of change (4)	Consideration given in relation to change (5)	Class (6) and number of securities affected	Person's votes affected
17/10/2006	Challenger Financial Services Group Limited (and each entity named in Annexure 1)	Dilution due to new issue of securities		Refer Annexure 2	Refer Annexure 2

3. Changes in association

The following persons who have become associates (3) of, ceased to be associates of, or have changed the nature of their association (7) with, the substantial holder in relation to voting interests in the company or scheme are as follows:

Name and ACN (if applicable)	Nature of association
N/A	

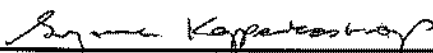
4. Addresses

The addresses of persons named in this form are as follows:

Name	Address
Challenger Financial Services Group Limited and its subsidiaries named in Annexure 1	Level 41, Aurora Place, 88 Phillip Street Sydney NSW 2001

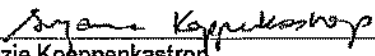
Signature

print name **Suzie Koeppenkastrop** capacity **Company Secretary**

signature  date **19/10/2006**

Annexure 1

This is page 1 of 3 pages of Annexure 1 referred to in Form 605 signed by me and dated 19/10/2006


 Suzie Koepfenkastrop
 Company Secretary

Company/Scheme	ABN/ARSN
Challenger Financial Services Group Limited	85 106 842 371
Allfine Holdings Pty Ltd	84 100 231 918
Associated Planners Financial Services Pty Limited	38 097 451 495
Associated Planners Strategic Finance Pty Limited	86 003 688 060
Beston Financial Management Pty Limited	64 081 985 088
Beston Pacific Vineyard Management Limited	35 079 882 161
Bluezen Pty Ltd	94 100 220 175
Cascade Pty Limited	76 096 097 399
CFSG Holdings No.2 Victoria Pty Limited	107 601 605
Challenger Capital Markets Limited	38 099 742 122
Challenger Commercial Lending Limited	65 000 033 143
Challenger Corporate Superannuation Pty Limited	37 097 635 366
Challenger Diversified property Development Pty Limited	121 624 833
Challenger Equity Lending Limited	26 079 047 804
Challenger Financial Services Group	091 545 185
Challenger Freeholds Limited	26 009 568 487
Challenger Funds Management (Nominees) Pty Limited	008 579 020
Challenger Group Holdings Limited	50 002 993 302
Challenger Group Pty Limited	85 003 374 196
Challenger Group Services Pty. Ltd.	91 085 657 307
Challenger Hedging Limited	36 087 464 131
Challenger International Nominees Limited	70 003 942 765
Challenger Inventory Finance Pty Ltd	095 085 466
Challenger Inventory Finance Servicing Pty Limited	36 107 706 810
Challenger Lending No.1 Pty. Limited	70 085 447 865
Challenger Life Holdings Pty Limited	85 080 036 657
Challenger Life No.2 Limited	44 072 486 938
Challenger Life Pty Limited	60 006 381 193
Challenger Listed Investments Limited	94 055 293 644
Challenger Managed Investments Limited	94 002 835 592
Challenger Managed Investments (International) Pty Ltd	120 871 212
Challenger Management Services Limited	29 092 382 842
Challenger Margin Lending Limited	47 091 338 822
Challenger ML Nominees Pty Limited	79 008 411 943
Challenger Portfolio Management Limited	29 064 545 124
Challenger Property Asset Management Pty Ltd	90 077 569 021
Challenger Property Capital Limited	36 078 326 128
Challenger Property Finance Limited	72 093 308 028
Challenger Property Funds Management Limited	34 078 627 013
Challenger Property Nominees Pty Limited	39 091 336 793

Annexure 1

This is page 2 of 3 pages of Annexure 1 referred to in Form 605 signed by me and dated 19/10/2006

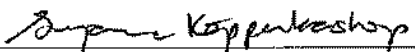


Suzie Koeppenkastrop
Company Secretary

Company/Scheme	ABN/ARSN
Challenger Strategic Capital Pty Limited	116 411 388
Challenger Superannuation Pty Ltd	52 006 475 501
Challenger Treasury Limited	47 093 307 996
Challenger US Infrastructure Holdings Pty Ltd	117 401 519
Challenger Wealth Management Pty Limited	107 728 030
Challenger Wholesale Finance Holdings Pty Limited	57 095 300 502
CPHIC Investments Pty Ltd	95 093 340 526
CSPP1 Investment Company 1 Pty Limited	120 463 023
eFinancial Capital Limited	58 089 796 798
Endowment Warrants Limited	45 009 568 503
FXF Finance Pty Ltd	080 419 521
FXF Holdings Pty Ltd	080 419 512
FXF Investments Pty Ltd	080 149 549
Galaxy Investment Wrap Pty Ltd	102 597 946
Garrisons Pty Limited	50 009 556 370
Genesys Group Limited	003 357 024
Genesys Wealth Advisers Limited	060 778 216
Genesys Wealth Advisers (WA) Pty Limited	84 104 441 947
HFH Staff Pty Limited	33 080 225 985
Howard Pacific Pty Limited	54 071 735 665
Inexus Australian Holdings Company Limited	115 840 661
Interstar Home Loan Corporation Pty Limited	058 891 302
Interstar Mortgage Management Pty Limited	17 082 014 702
Interstar Non-Conforming Finance Management Pty Ltd	107 707 406
Interstar Non-Conforming Finance Pty Ltd	32 107 725 486
Interstar Securities (International) Pty Limited	087 271 225
Interstar Securities (NZ) Pty Ltd	087 217 136
Interstar Securitisation Management Pty Limited	56 100 346 898
Interstar Special Servicing Pty Ltd	77 107 707 415
Interstar Wholesale Finance Holdings Pty Limited	087 284 240
Interstar Wholesale Finance Pty Limited	72 087 271 109
Mawbury Pty Limited	95 096 097 479
Northstar Lending Pty Ltd	057 707 687
Solar Risk Pty Limited	26 092 265 373
Synergy Capital Management Limited	19 062 264 108
Talavera Herring Pty Limited	34 086 068 984
The Liberty Group Consortium Pty Ltd	79 082 564 289
TLG Services Pty Limited	20 092 500 608
TLGH Pty Limited	85 092 927 467

Annexure 1

This is page 3 of 3 pages of Annexure 1 referred to in Form 605 signed by me and dated 19/10/2006


Suzie Koeppenkastrop
Company Secretary

Overseas Companies	
Challenger International (New Zealand) Limited	
Challenger Securities (New Zealand) Limited	
Sabrand Limited	
Challenger Hungary International Capital and Management Limited Liability Company	
Challenger REIT Number 1 Limited	
Challenger Milk Street LLC	
Challenger South Monaco LLC (US)	
Challenger Las Cimas LLC	
Challenger Life (UK) Limited	
Challenger Group Services (UK) Limited	
Interstar Home Loan Corporation NZ Limited	
Interstar Securities NZ Limited	
ZCM Australia Asset Holdings Limited	

Annexure 2

This is page 1 of 2 pages of Annexure 2 referred to in Form 605 signed by me and dated 19/10/2006


Suzie Koeppenkastrop

Transactions:

Date of Change	Holder of relevant Interest	Nature of Change	Consideration	Number of securities	Person's Votes Affected
16/06/2006	Challenger Financial Services Group Limited (the entities listed in Annexure 1)	Buy	1,583,627.73	928,991	928,991
16/06/2006	As above	Buy	240,429.06	141,041	141,041
27/06/2006	As above	Buy	121,608.51	73,500	73,500
29/06/2006	As above	Buy	32,836.08	20,000	20,000
03/07/2006	As above	Buy	961,813.74	573,833	573,833
03/07/2006	As above	Sell	826,478.91	-493,833	493,833
03/07/2006	As above	Sell	367,706.80	-219,114	219,114
07/07/2006	As above	Sell	402,623.52	-237,536	237,536
17/07/2006	As above	Buy	199,538.40	128,593	128,593
20/07/2006	As above	Buy	179,893.35	115,000	115,000
21/07/2006	As above	Buy	179,597.54	113,000	113,000
25/07/2006	As above	Buy	103,133.65	66,142	66,142
26/07/2006	As above	Sell	178,148.74	-112,000	112,000
14/08/2006	As above	Buy	89,848.73	50,000	50,000
17/08/2006	As above	Sell	45,499.53	-25,000	25,000
21/08/2006	As above	Sell	45,240.95	-24,790	24,790
22/08/2006	As above	Sell	272,346.49	-150,000	150,000
24/08/2006	As above	Buy	2,324,363.16	1,305,822	1,305,822
24/08/2006	As above	Buy	1,424,651.48	800,366	800,366
24/08/2006	As above	Buy	1,277,799.70	717,865	717,865
24/08/2006	As above	Buy	487,291.02	273,759	273,759
24/08/2006	As above	Buy	227,261.50	127,675	127,675
24/08/2006	As above	Buy	654,171.36	367,512	367,512
24/08/2006	As above	Buy	49,040.78	27,551	27,551
24/08/2006	As above	Buy	141,421.00	79,450	79,450
28/08/2006	As above	Sell	198,406.18	-109,315	109,315
29/08/2006	As above	Sell	17,799.42	-9,780	9,780
30/08/2006	As above	Sell	256,145.15	-140,220	140,220
31/08/2006	As above	Buy	436,358.03	237,536	237,536
31/08/2006	As above	Sell	365,737.25	-200,000	200,000
01/09/2006	As above	Sell	169,179.65	-92,967	92,967
01/09/2006	As above	Sell	194,776.71	-107,033	107,033
11/09/2006	As above	Sell	24,155.28	-12,782	12,782
21/09/2006	As above	Sell	41,645.16	-23,200	23,200
21/09/2006	As above	Sell	76,348.86	-42,533	42,533
21/09/2006	As above	Sell	62,467.74	-34,800	34,800
21/09/2006	As above	Sell	15,963.36	-8,893	8,893
21/09/2006	As above	Sell	11,800.66	-6,574	6,574
21/09/2006	As above	Sell	150,784.20	-84,000	84,000
22/09/2006	As above	Buy	354,202.91	198,433	198,433
27/09/2006	As above	Sell	563,944.87	-300,000	300,000
27/09/2006	As above	Buy	567,055.13	300,000	300,000
29/09/2006	As above	Sell	337,292.87	-175,682	175,682
29/09/2006	As above	Sell	671,024.59	-350,000	350,000
16/10/2006	As above	Sell	352,398.77	-177,886	177,886
16/10/2006	As above	Sell	241,219.01	-121,764	121,764
16/10/2006	As above	Sell	183,951.17	-92,856	92,856
16/10/2006	As above	Sell	23,063.23	-11,642	11,642

Date of Change	Holder of relevant interest	Nature of Change	Consideration	Number of securities	Person's Votes Affected
16/10/2006	As above	Sell	54,250.70	-27,385	27,385
16/10/2006	As above	Sell	62,931.61	-31,767	31,767
17/10/2006	As above	Sell	226,888.72	-115,187	115,187
17/10/2006	As above	Sell	155,290.65	-78,845	78,845
17/10/2006	As above	Sell	118,424.26	-60,127	60,127
17/10/2006	As above	Sell	14,848.59	-7,539	7,539
17/10/2006	As above	Sell	34,924.39	-17,732	17,732
17/10/2006	As above	Sell	40,514.03	-20,570	20,570