

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 23 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

19 December 2006

**BABCOCK & BROWN JAPAN PROPERTY TRUST INVESTOR  
PRESENTATION**

Please find attached a Babcock & Brown Japan Property Trust (ASX: BJT) update presentation to be made by the Tokyo executive team in Australia today.

**Investor and media enquiries:**

Eric Lucas

Babcock & Brown

Phone: +61 2 9229 1800

+81 3 3238 1671 (Japan)

Alison Carter

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 36 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.bbjapanpropertytrust.com>

BJT update by Tokyo executive team  
**19/20 December 2006**

# PRESENTERS

Eric Lucas, Managing Director

Naoto Ichiki, Chief Operating Officer

Naoto Yabu, Head of Asset Management

Kentaro Sato, Real Estate Investment

## Also in attendance:

Michelle Calcarao, Financial Controller

Alison Carter, Investor Relations

# AGENDA

1. Trust overview & outlook
2. Trust performance & portfolio overview
3. Management team
4. Asset management
5. Acquisition process
6. Appendices

# OVERVIEW OF BJT

- First Australian LPT with a mandate to invest solely in Japanese real estate
- Listed in April 2005
- Current market capitalisation of \$961.5 million (based on 18 December closing price of \$1.95)
- Property portfolio valued at ¥110 billion (\$1.2 billion)
- 36 properties – 14 retail, 19 office and 3 residential
- Total annualised return in excess of 60% since inception
- Distributions fully paid out of operating cash flows and 100% tax deferred to date
- Significant gearing capacity available - gearing ratio currently 49.3% (interest bearing debt /property value)

# FEATURES

- Focus on sustainable earnings growth
- Create a portfolio diversified by asset class, geography and tenant mix
- Maintain a good balance between cancellable and non-cancellable leases, creating stability to the Trust's income whilst retaining exposure to potential upside
- Bottom up investment approach. Properties for acquisition are reviewed on their individual merits, with attention given to the impact on overall portfolio cash flow and diversification
- Proactive and conservative capital management whilst maintaining an effective cost of capital
- Utilise the expertise of the local BNB team in Tokyo, active in Japanese real estate since 1998

# OUTLOOK

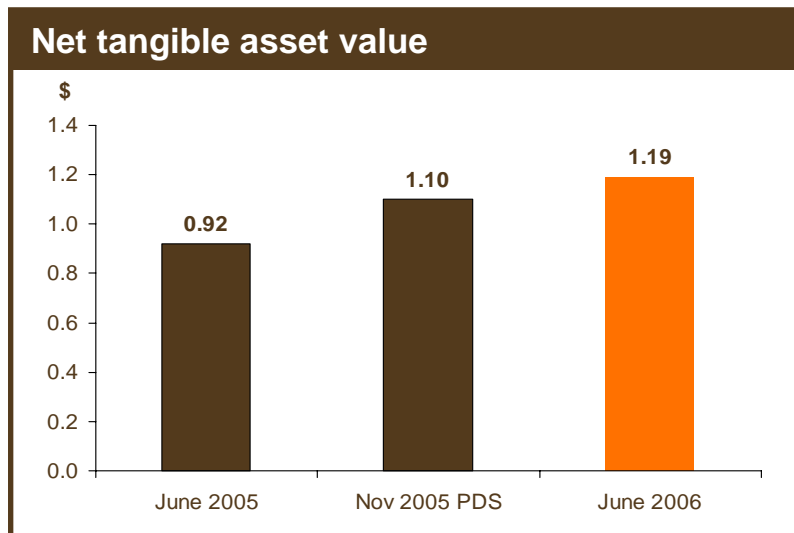
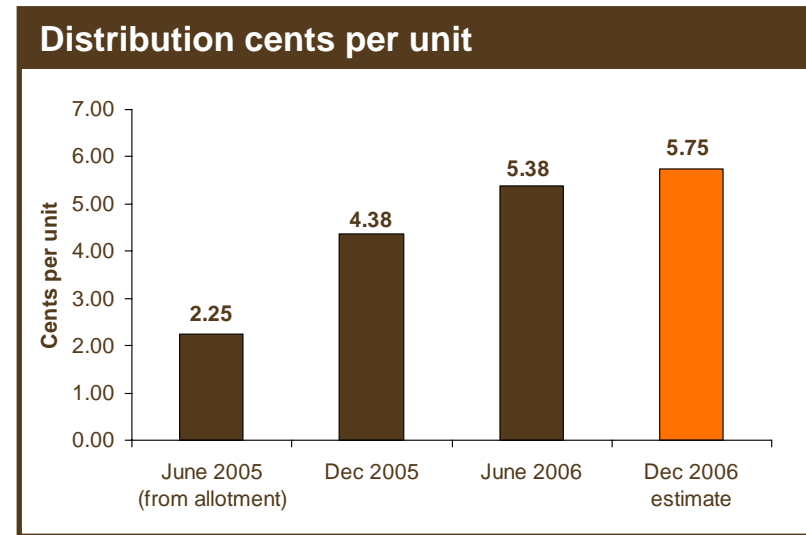
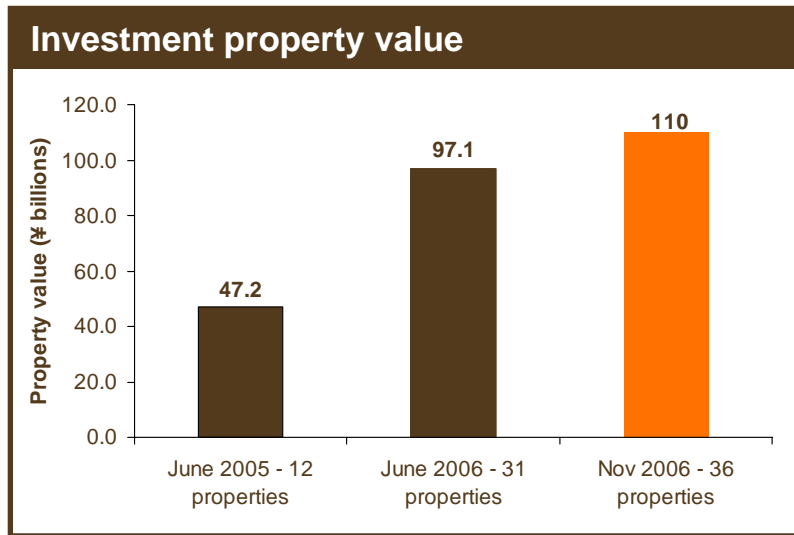
- The Japanese property market is large and fragmented and as such continues to offer great potential for participants with significant market expertise and extensive networks
- This market is experiencing a significant recovery in line with the broader recovery in the Japanese economy
- Good buying opportunities continue to exist, despite substantially increased investor interest
- The low interest rate environment in Japan means that the yield spread remains well above that available internationally
- The Trust has significant gearing capacity to fund further accretive acquisitions

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# STRONG TRACK RECORD OF PERFORMANCE THROUGH ACTIVE ASSET MANAGEMENT AND ACQUISITIONS

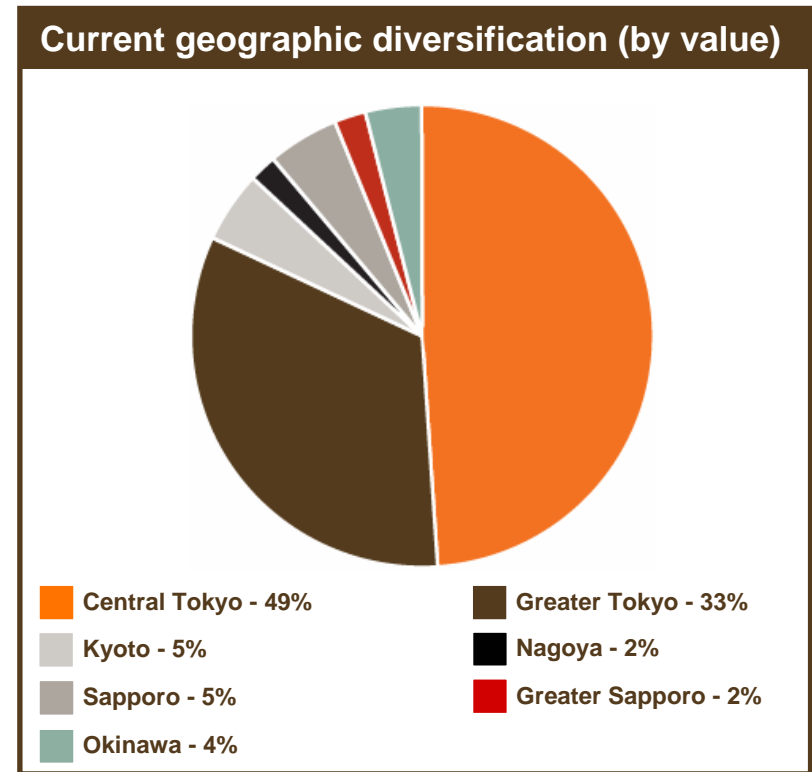
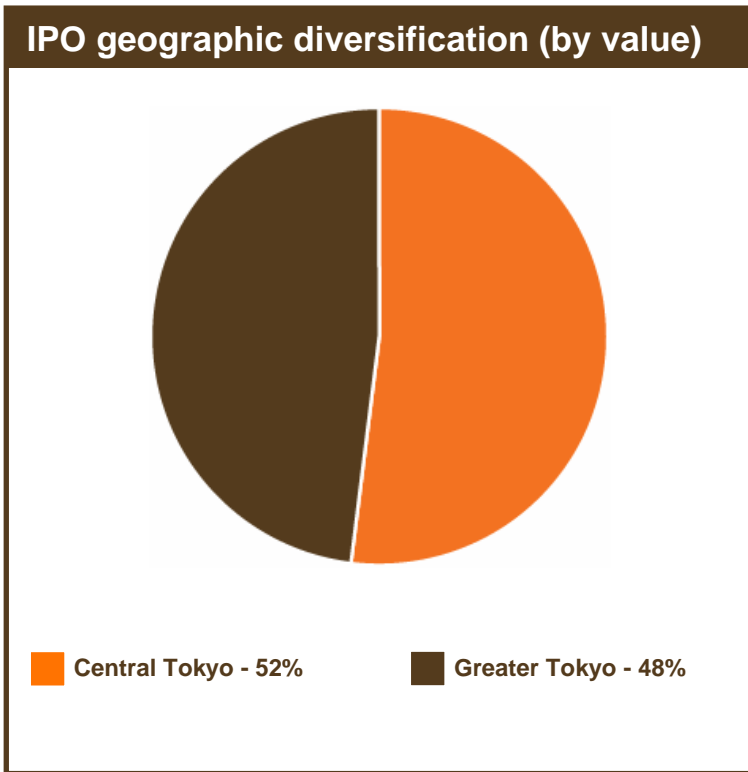


## PORTFOLIO OVERVIEW

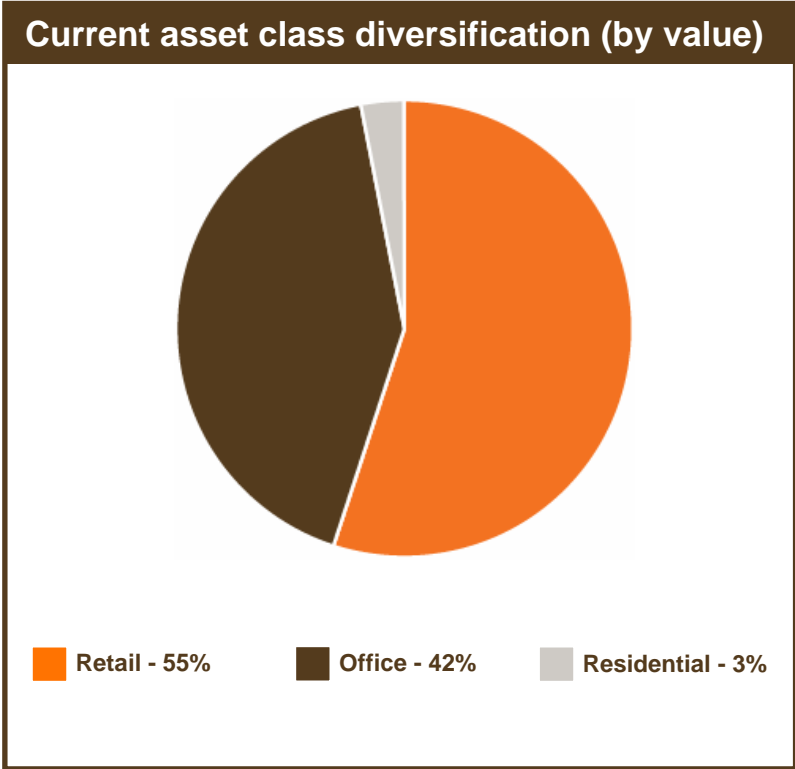
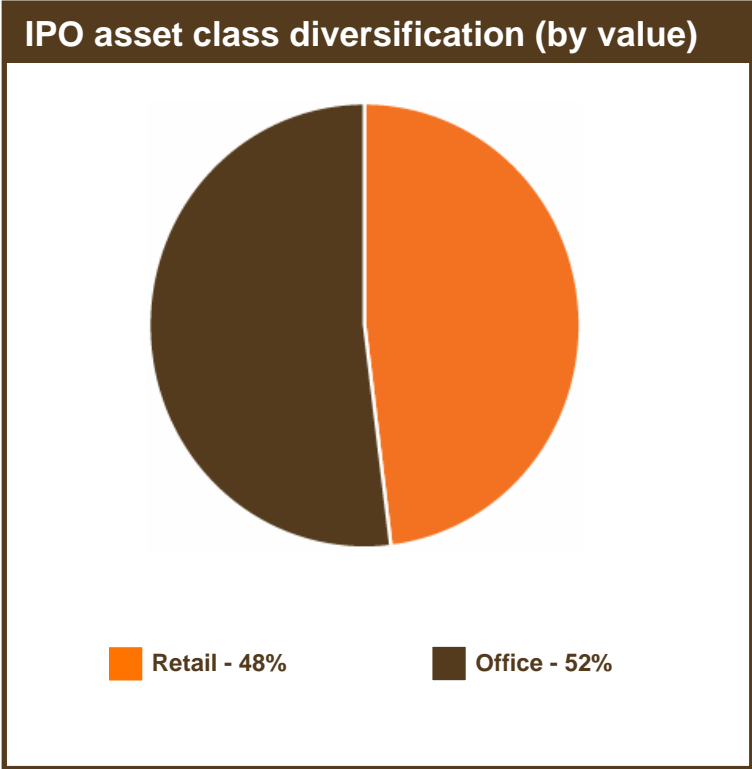
- 12 properties acquired at IPO
- 24 properties have been acquired since IPO
- The value of the portfolio has grown by 133% since IPO, through acquisitions and revaluations
- Occupancy has improved substantially

	AT IPO	CURRENT PORTFOLIO
Total no of properties:	12	36
Retail	4	14
Office	8	19
Residential	-	3
NRA (sqm)	87,106	222,768
Occupancy by income	93.7%	98.1%
Occupancy by area	96.9%	98.4%
No. of leases	173	345

# ENHANCED GEOGRAPHIC DIVERSIFICATION SINCE IPO



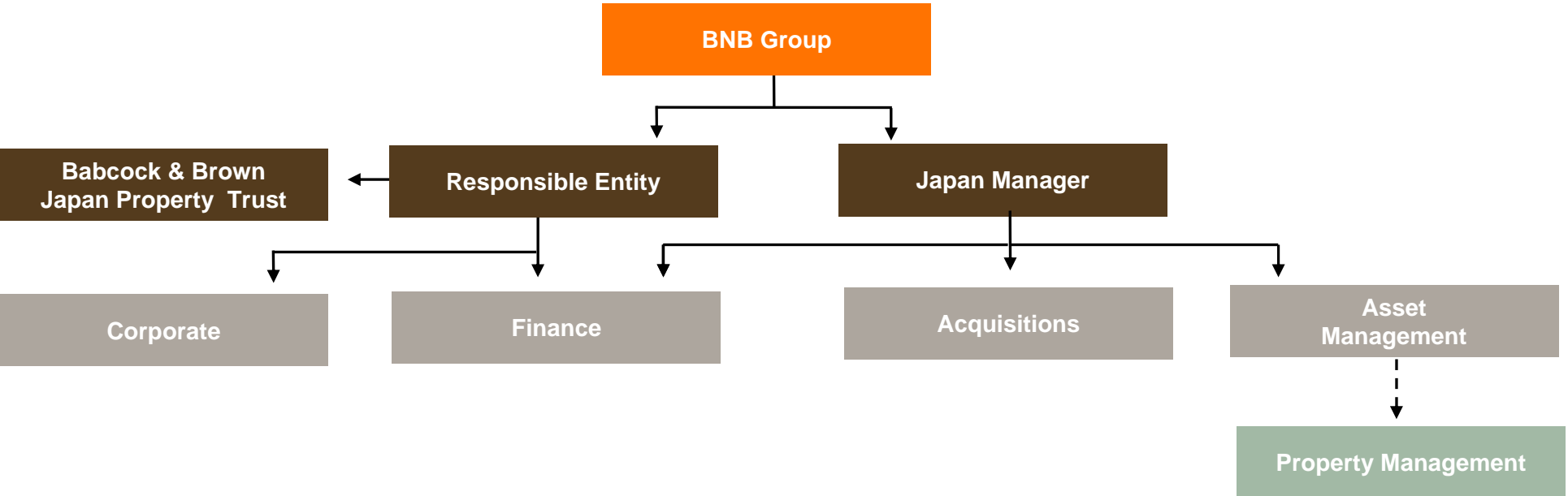
# INCREASED ASSET CLASS DIVERSIFICATION SINCE IPO



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# ORGANISATION CHART



# KEY JAPANESE EXECUTIVES IN BABCOCK & BROWN JAPAN

## Naoto Ichiki – Chief Operating Officer

- Formerly Managing Director of JP Morgan with responsibility for Real Estate Structured Finance Asia, Real Estate Investment Banking Japan and Structured Products Japan
- A licensed real estate broker

## Shinya Sato – Head of Acquisitions

- Formerly Managing Director of Jones Lang LaSalle K.K. in Japan, providing a wide variety of real estate services to Japanese and global clients
- A licensed real estate broker and a registered real estate consultant in Japan

## Naoto Yabu – Head of Asset Management

- Formerly Executive Director of ORIX Asset Management, with responsibility for the listing of the ORIX J-REIT on the Tokyo Stock Exchange
- A licensed real estate broker

# ESTABLISHED MANAGEMENT TEAM

## **Babcock & Brown Japan** - 18 real estate investment/asset management professionals & 4 support staff

- Eric Lucas, Managing Director (19)
- Naoto Ichiki, Chief Operating Officer (16)
- Shinya Sato, Head of Acquisitions (31)
- Hideyuki Satoh, Acquisitions (7)
- Kentaro Sato, Acquisitions (5)
- Koichi Kurokawa, Acquisitions (7)
- Manabu Suzuki, Acquisitions (4)
- Masahiro Nakazato, Acquisitions/Asset Management (17)
- Masaki Katsura, Acquisitions (16)
- Masato Tanaka, Acquisitions (15)
- Naoto Yabu, Head of Asset Management (17)
- Chihiro Hara, Asset Management (8)
- Isao Noguchi, Asset Management (1)
- Itsusaburo Hirayama, Asset Management (12)
- Sachi Ogino, Head of Administration/Accounting (13)
- Junko Ichikawa, Accounting (11)
- Mikiko Shimano, Accounting (16)
- Sanae Murata, Accounting (8)
- 3 additional asset managers joining in January 2007

## **Babcock & Brown Australia**

- Michelle Calcarao, Financial Controller (12)
- Dane Rennie, Financial Accountant (5)
- Alex Ong, Legal Counsel (6 )
- Alison Carter, Investor Relations (14)



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# ASSET MANAGEMENT

- 4 dedicated asset managers and 1 assistant
- 3 additional managers will join in January 2007
  - Retail specialist. Reflects increase in size and diversity of retail component of BJT portfolio
  - Asset manager specialising in office and residential asset classes
  - Debt financing manager. Restructuring / refinancing of existing non-recourse debt
- Property management function outsourced to strategic partners
  - Office: Sanko Estate and MS Building Support
  - Retail: Jones Lang LaSalle and Xymax

# ASSET MANAGEMENT

Leasing activity since 30 June 2006	No. of leases	Tsubo (sqm) <sup>1</sup>	% of NRA <sup>1</sup>
Expired leases (100% renewed)	41	2,417 (7,991)	3.2%
New leases	22	1,493 (4,936)	2.0%
Cancelled leases	12	1,164 (3,849)	1.5%
Net increase in occupied area	10	329 (1,087)	0.5%

- All lease renewals have taken place at existing rentals, with the exception of 2 leases (representing approximately 0.2% of the portfolio by income) which were renewed at an average of 12% above the existing rentals
- Of new leases, 15 (representing approximately 5.9% of the portfolio by income) have been entered into at rents which are on average 17.9% higher than previous or assumed rents for that space

1. Tsubo and % of NRA are calculated on 100% of net rentable area, including 100% of the properties co-owned by the Trust, Kawasaki Dice and Shinjuku Sanei

# ASSET MANAGEMENT

- Renovation of Sun No.5

After



Before



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# ACQUISITION PROCESS

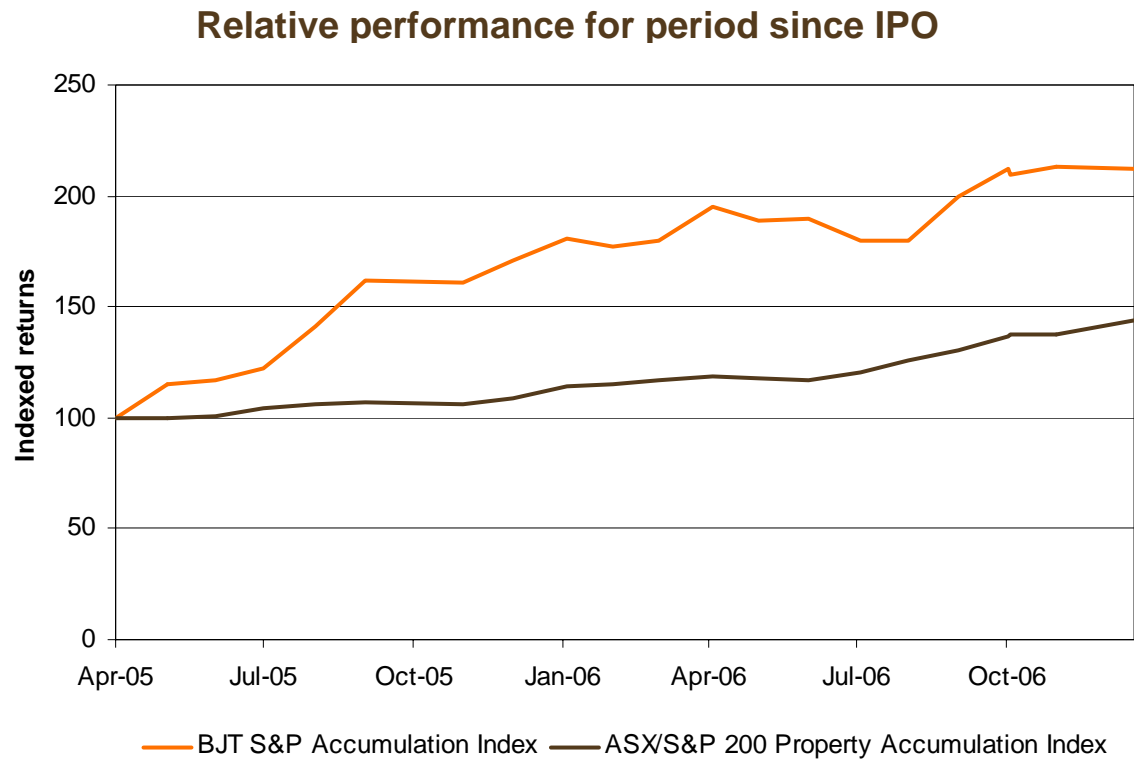
- BJT focuses on acquisitions without participating in competitive bidding
- This is facilitated by leveraging the extensive network derived from a long standing presence in Japan
- As a result, 32 of BJT's 36 properties have been acquired off-market, through private negotiation
- The 4 retail properties settled on 28 August 2006 have been acquired through a limited bid process, as part of a larger mixed portfolio which included properties which did not meet BJT's investment criteria
- 3 additional experienced acquisition professionals have been hired in the last 3 months: 2 from real estate companies, and one from a valuation institute

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# TRUST PERFORMANCE

- The BJT price was \$1.95 on 18 December 2006, 95% higher than at IPO
- Total return of approximately 107% since IPO, outperforming benchmark by 63%





# PORTFOLIO SNAPSHOT AT 30 NOVEMBER 2006

	CARRYING VALUE		OCCUPANCY BY AREA		OCCUPANCY BY INCOME	
	Nov 2006 ¥ billions	% of portfolio	Jun 2006	Nov 2006	Jun 2006	Nov 2006
<b><i>Retail</i></b>						
Kawasaki Dice	14.2	12.9%	100.0%	99.2%	100.0%	99.1%
Konan Home Centre	10.8	9.8%	100.0%	100.0%	100.0%	100.0%
Mukomachi Saty	5.0	4.5%	100.0%	100.0%	100.0%	100.0%
Shinjuku Fuji	4.8	4.3%	100.0%	100.0%	100.0%	100.0%
Sapporo Nishioka <sup>1</sup>	3.9	3.6%	n/a	100.0%	n/a	100.0%
Ginowan <sup>1</sup>	3.8	3.5%	n/a	100.0%	n/a	100.0%
Shibuya Konami <sup>1</sup>	2.7	2.4%	n/a	100.0%	n/a	100.0%
Sapporo Co-op <sup>1</sup>	2.5	2.3%	n/a	100.0%	n/a	100.0%
Matsudo Nitori <sup>1</sup>	2.4	2.2%	n/a	100.0%	n/a	100.0%
Kuroshio Shijo <sup>2</sup>	2.4	2.2%	100.0%	100.0%	100.0%	100.0%
Harajuku Bell Pier	2.4	2.2%	86.9%	93.7%	84.9%	92.4%
Motomachi	2.3	2.1%	94.7%	100.0%	97.5%	100.0%
Sapporo Toys R Us	1.8	1.6%	100.0%	100.0%	100.0%	100.0%
Kajicho Ekimae	1.2	1.1%	100.0%	100.0%	100.0%	100.0%
<b>Retail sub total / average</b>	<b>60.1</b>	<b>54.6%</b>	<b>99.8%</b>	<b>99.9%</b>	<b>99.2%</b>	<b>99.6%</b>

(1) Properties acquired during the period at 100% occupancy.

(2) Tenant was in arrears with rental payments, litigation commenced in June 2006 and tenant was evicted in December 2006. We do not expect this to have a material impact on the performance of the Trust.

The Asset Manager is currently investigating re-lease and sale options.

(3) Please note that acquisition of Susono is expected to close in January 2007.

# PORTFOLIO SNAPSHOT AT 30 NOVEMBER 2006

	CARRYING VALUE		OCCUPANCY BY AREA		OCCUPANCY BY INCOME	
	Nov 2006 ¥ billions	% of portfolio	Jun 2006	Nov 2006	Jun 2006	Nov 2006
<b><u>Office</u></b>						
Shinjuku Sanei	9.7	8.8%	96.6%	98.5%	95.8%	98.6%
Ginza Dowa	8.7	7.9%	100.0%	99.9%	100.0%	99.9%
Kokusai Nihombashi	5.8	5.3%	100.0%	100.0%	100.0%	100.0%
Sun	3.6	3.3%	100.0%	100.0%	100.0%	100.0%
Higashi Totsuka	2.7	2.4%	90.4%	90.4%	91.2%	91.2%
Sun Ace Tokugawa	2.3	2.1%	64.3%	66.7%	66.4%	68.7%
Takadanobaba	1.8	1.6%	86.1%	86.1%	90.2%	90.2%
Forest Kita Aoyama	1.6	1.5%	100.0%	100.0%	100.0%	100.0%
OS Tsukiji	1.6	1.5%	100.0%	100.0%	100.0%	100.0%
Prime Kanda	1.4	1.3%	100.0%	100.0%	100.0%	100.0%
Asakusa	1.3	1.2%	100.0%	100.0%	100.0%	100.0%
Shiba Daimon	1.0	0.9%	100.0%	100.0%	100.0%	100.0%
Prime Tsukiji	1.0	0.9%	100.0%	100.0%	100.0%	100.0%
Yotsuya KD	0.8	0.7%	83.1%	86.8%	85.8%	86.4%
Akabane	0.8	0.7%	87.3%	87.3%	88.7%	88.7%
Daikanyama Takara	0.8	0.7%	100.0%	100.0%	100.0%	100.0%
Showa Yakubo	0.7	0.6%	78.2%	100.0%	79.5%	100.0%
FT Nihombashi	0.6	0.5%	100.0%	100.0%	100.0%	100.0%
Sun No. 5	0.5	0.4%	87.1%	87.1%	88.4%	88.6%
<b>Office sub total / average</b>	<b>46.5</b>	<b>42.2%</b>	<b>92.2%</b>	<b>93.3%</b>	<b>95.0%</b>	<b>96.2%</b>
<b><u>Residential</u></b>						
G-Clef Kamata	1.9	1.7%	100.0%	100.0%	100.0%	100.0%
Prime Stay Tsukiji	0.8	0.7%	100.0%	98.6%	100.0%	98.7%
Nishi-Kasai	0.7	0.7%	100.0%	100.0%	100.0%	100.0%
<b>Residential sub total / average</b>	<b>3.4</b>	<b>3.1%</b>	<b>100.0%</b>	<b>99.7%</b>	<b>100.0%</b>	<b>99.6%</b>
<b>Total / average</b>	<b>110.0</b>	<b>100%</b>	<b>97.2%</b>	<b>98.4%</b>	<b>97.0%</b>	<b>98.1%</b>

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