MRE news
MACQUARIE REAL ESTATE
JUNE 2007
MACQUARIE

2 Market Street, Sydney

James Hodgkinson and Simon Jones,
Co-Heads, Macquarie Real Estate Capital

We are taking advantage of strong markets to drive higher returns, repositioning portfolios and weighting them towards global opportunities that deliver higher growth potential.

Welcome to Macquarie Real Estate's half year review for 2007. In this issue, we outline some of the activities across the property trusts and the strategies we are implementing to maximise returns to investors.

In 2007, the demand for real estate continues to surge, with increased levels of capital seeking real estate assets. In Australia, the recent changes to superannuation contributions, together with unprecedented global investment interest, have provided favourable conditions for real estate values.

Macquarie Real Estate's managed vehicles have taken advantage of these healthy market conditions to increase profits by selling assets and reinvesting proceeds into higher growth opportunities.

Macquarie's commitment to this strategy, together with strong markets, has delivered an outstanding collective annual return[1] of over 30% for the Macquarie managed Australian listed property trusts. The unlisted trusts also performed well, with Macquarie Direct Property Fund enjoying strong returns of 22% and Macquarie Property Income Fund an outstanding 59% for the year.

The unique advantage of Macquarie Real Estate is its global reach with over 490 staff in 22 offices across 10 countries. This capability has resulted in a number of value adding opportunities being executed by the trusts for investors.

Recent successes include divestments by Macquarie Office and Macquarie CountryWide in Australia and the United States with investments made in new markets in Europe.

The unlisted direct property vehicle, Macquarie Direct Property Fund, has also taken advantage of the global Macquarie network to expand into offshore opportunities in China, Hong Kong and Europe. The global momentum doesn't stop there. Macquarie MEAG Prime REIT, the joint venture listed property trust in Singapore, made headway with its regional strategy this year by acquiring several properties in Japan and China.

Macquarie ProLogis is undergoing transition, with ProLogis proposing to acquire all investors' units for A$1.43 per unit cash. The offer represents an annualised total return of 15.4% since listing, an outstanding return for stabilised core assets. Independent Directors have recommended the proposal to Macquarie ProLogis unitholders with the outcome to be determined by unitholders at a meeting to be held on 27 June 2007.

Macquarie Leisure's success continued due to its flair for development and maximising business operational efficiencies. WhiteWater World on the Gold Coast has reaped impressive first quarter revenues since opening in December 2006.

Macquarie Real Estate is committed to being a leader in managing its funds in a sustainable and responsible manner. A number of years ago, we pioneered the use of Green Power for a part of our assets' energy requirements and more recently have worked hard to increase the Green Star and Australian Building Greenhouse Ratings of our assets.

WhiteWater World is a leading example of Macquarie's commitment to reducing the influence of the Trusts' activities to the environment. With leading water saving technology, WhiteWater World sets a new benchmark for Australian waterparks in managing its environmental impact.

Also, Macquarie and its staff are striving to improve the communities in which they operate through a number of charitable and cooperative based activities. The Macquarie Bank Foundation contributed A$12.6 million to 500 community organisations in the year to 31 March 2007 with Macquarie staff around the world raising a further A$4.1 million for not-for-profit organisations. A few of these initiatives are highlighted in our "In the community" section inside.

There are certainly many activities taking place across the funds, and we are confident our active management approach and focus on generating regular improving income streams will continue to deliver growing returns for investors.

Thank you for your support.

Simon Jones and James Hodgkinson
Co-Heads, Macquarie Real Estate Capital

[1] Annual return to 31 May 2007.

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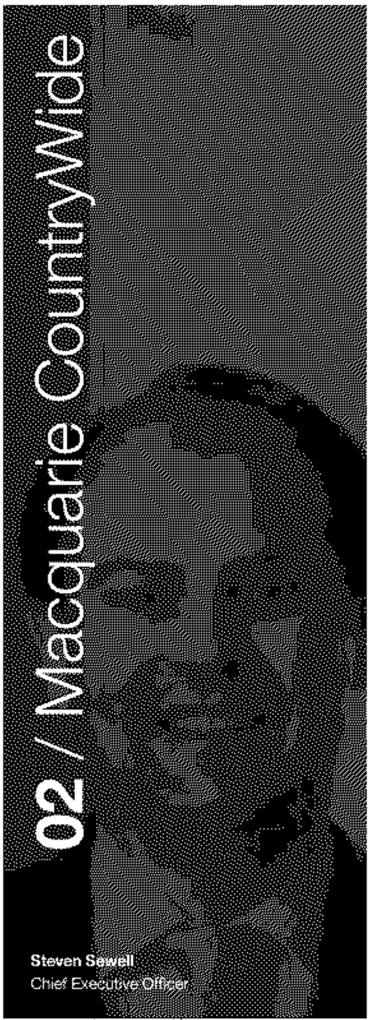
02 / Macquarie CountryWide



Steven Sewell
Chief Executive Officer

Trust summary

ASX code	MCW
Sector	Retail
Number of properties	252
Assets under management	A$5.7 billion
Number of tenants	Over 4,300
Occupancy	97%

As at 31 May 2007.

Performance

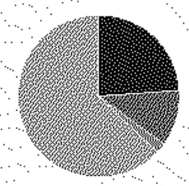
Distribution yield[1]	6.9%
Annualised total return since listing	17.0%
Unit price	A$2.26

[1] Based on forecast distribution of 15.6cpu.

As at 31 May 2007.

Portfolio allocation

post-European acquisitions



Australia	24%
Europe	11%
New Zealand	2%
USA	63%

As at 31 May 2007.

Invest where you shop

www.macquarie.com.au/mcw

Borek Shopping Centre, Wroclaw, Poland – one of the newly acquired properties in Poland.

We continue to focus on earnings accretive activities and building potential for added returns through active portfolio management.

New Zealand profits realised

In December 2006 we announced the sale of a 50% stake in 18 New Zealand properties for NZ$103.5 million. Final settlement has now been achieved. The transaction delivered a leveraged IRR of 30.3% to investors and partially funded the Trust's European acquisitions. Moreover, it demonstrates Macquarie CountryWide's ability to take advantage of strong pricing to redeploy capital from existing portfolio asset into higher growth opportunities.

Another milestone achieved... this time in Europe

Macquarie CountryWide announced the acquisition of seven European shopping centres through two separate transactions in April 2007. The combined acquisition value was €351 million (A$571 million). As a result, five hypermarket shopping centres in Poland and two in Germany will be added to the portfolio. These properties are anchored by renowned, international retailers: the French Carrefour Group in Poland, and the Rewe Group in Germany.

The acquisitions bring several strategic benefits to the Trust. The transactions are earnings accretive, contributing to an anticipated 3.2% increase in earnings per unit to 16.1cpu in FY2008, and provide improved geographic and retailer diversification to Macquarie CountryWide's portfolio. Collectively, the acquisitions generate a yield of 6.5% and a forecast 10 year leveraged internal rate of return (IRR) of 12.2%. The properties are high quality assets anchored by dominant grocery retailers. Most importantly, these transactions establish a relationship with two leading retailers and provide the foundation for future growth opportunities in Europe.

We are excited about the Trust's entry into Poland and Germany. Both markets possess the strong fundamentals required by our investment mandate. Poland is currently experiencing GDP growth twice that of Western Europe, and is ranked the second most popular European destination for foreign direct investment[2]. It is attracting significant interest from the research and development, manufacturing and services sectors. The assets in Poland are well located within the country's major cities. Each property is shadow anchored by Carrefour – one of Europe's most prolific retailers and one of the largest in the world, with over 12,000 stores globally. The mall area of the properties are owned by Macquarie CountryWide, and are mostly leased to national and international tenants currently contributing over 80% of income. They are 96.8% occupied, with an average lease expiry of four years. We see opportunities to grow income and review the tenancy mix as leases expire.

Recent acquisition: Alt Chemnitz Centre located in Saxony, Germany.

Germany is another attractive market, being the largest consumer market in the European Union (EU). It has a population of 82.5 million and a forecast GDP growth of 2% per year for the next five years – in line with the EU and indicating solid economic growth. The two German shopping centres are modern properties ideally located along major arterial roads in inner city areas. They are anchored by hypermarket businesses of the Rewe Group – the second largest retailer in Germany, with presence across 14 European countries. The centres are 93% occupied. Rewe, its subsidiaries and other national retail brands generate 91% of the centres' income.

[2] Polish Information and Foreign Investment Agency, www.paiz.gov.pl

Renmark showcases environmental initiatives

The A$37.3 million greenfield development of Renmark Plaza in Riverland, South Australia, is proceeding on schedule. In line with our objective to protect Riverland's natural environment, we have built a number of environmentally sustainable initiatives into Renmark's design, based on standards within the Green Building Council of Australia's Green Star program.

A rainwater tank system will be installed to harvest stormwater from the roof of the centre, with tanks connected to the centre's plumbing to reduce reliance on main water consumption. A fire protection system will recirculate water for testing purposes and a drip system will offer more water efficient landscaping around the centre. These initiatives aim to reduce the need for main water and optimise water usage. Added to this, an alternative air conditioning system will be applied. This will eliminate the use of cooling towers with reductions in water consumption, greenhouse emissions, and risks associated with legionnaire's disease.

To achieve greater energy efficiency, time clock switches will be installed to actively control light usage, and more efficient lighting will be built into major tenant areas, common mall areas and amenities to reduce after hour's energy consumption. We will continue to work consultatively with stakeholders to remain abreast of the latest sustainability trends, ensuring that we implement measures where appropriate to the Trust's centres. Over time, we anticipate that these initiatives will minimise operational expenditure and also help to preserve the environment. Renmark Plaza is expected to open in late 2007.

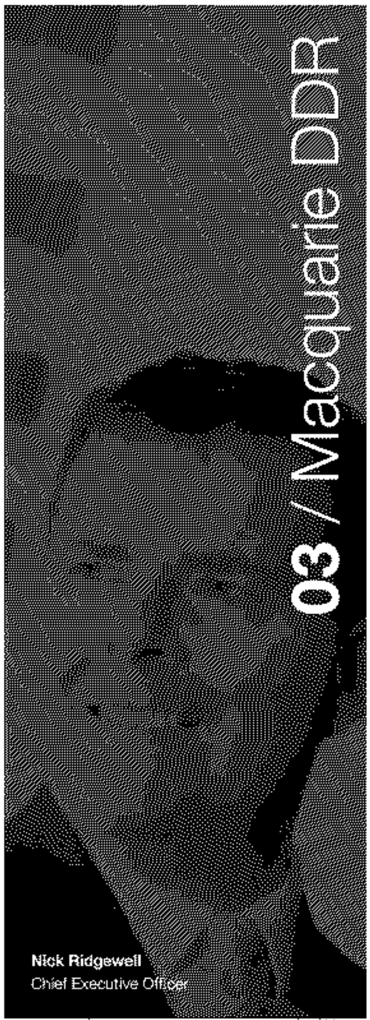
Outlook

We remain focused on strategically reviewing the portfolio and drawing on strong global market conditions to release profits on asset sales and redeploy capital into retail real estate offering earnings growth potential. Simultaneously, we will seek opportunities that provide investors with greater diversification and exposure to fundamentally strong markets.

Macquarie CountryWide's portfolio now spans Australia, New Zealand, the US and Europe. Driving asset performance through active management to enhance returns and earnings will continue to be a priority, regardless of the markets in which the Trust operates.

Towne Center Prado, Marietta, Georgia.

03 / Macquarie DDR



Nick Ridgewell
Chief Executive Officer

Macquarie DDR is a high quality, retail investment portfolio of US market dominant community shopping centres featuring leading retailers, long leases and consistently high leased rates.

Macquarie DDR remains focused on its core strategy in 2007, maximising returns for investors through proactive asset management. This includes working with our joint venture partner, Developers Diversified Realty (DDR), to ensure the Trust's properties are efficiently managed; maximising opportunities to attain and retain high quality tenants.

New Chief Executive Officer for Macquarie DDR

In May, Macquarie DDR Management Limited announced the appointment of new Chief Executive Officer, Nick Ridgewell to the team. Nick, who has been with Macquarie for over 10 years, recently returned to Australia after a five year secondment to Hong Kong where he was managing Macquarie's Asian real estate business. Given his background and experience in international real estate markets and funds management, his appointment brings a wealth of knowledge to the Trust. On behalf of the management team and our investors, we would like welcome Nick on board.

Proactive leasing management attracts new tenants

Leasing activities are an integral part of achieving greater asset income on each property. In the quarter to 31 March 2007, Macquarie DDR secured five new leases for the portfolio.

At Towne Center Prado, the Trust's property in Marietta, Georgia, long term tenant Pier 1 Kids, a national chain specialising in furniture and household fittings for children, decided to terminate the remaining six year lease of the 5,500 sq ft store. Working closely with its leasing team to gauge the supply of prospective replacement tenants, DDR granted a termination to Pier 1 Kids when it became clear that an opportunity existed to re-lease the space to new retailers that would complement and strengthen Towne Center Prado's existing mix.

Archiver's, a national US concept store catering to scrapbook enthusiasts, committed to leasing the Pier 1 Kids space for five years. Scrapbooking is a new phenomenon that has taken the US by storm and caters directly to consumer demand for creatively preserving memories. Stores like Archiver's offer a range of materials and workshops to scrapbook hobbyists.

The Archiver's transaction was commercially beneficial to Macquarie DDR. Archiver's committed to a rental 25% higher than that previously received, enabling the Trust to derive higher income from the same space.

The departure of Pier 1 Kids also presented an opportunity to lease a vacant 12,000 sq ft store located directly behind the premises.

The space was strategically marketed to Monkey Joe's, a children's entertainment retailer looking to enlarge their footprint in Georgia. The transaction was an excellent result for both DDR and Monkey Joe's; with the Trust capitalising on the opportunity to derive additional rental income from the centre, and Monkey Joe's being able to achieve their expansion strategy in Georgia.

Flexible approach creates happy customers

Retaining tenants is a priority for Macquarie DDR. During the recent March quarter, the Trust secured 32 lease renewals. The average rental increase on these renewals was 9.8% – one of the highest renewal rates achieved since inception.

At Carillon Place in Naples, Florida, long-time anchor Winn-Dixie, one of the largest food retailers in the south-eastern United States, wanted to vacate its 50,000 sq ft store space. Winn-Dixie agreed to continue paying rent on the vacant store, minimising revenue risk for the centre.

Clarence Properties, Buffalo, New York.

However, the empty space substantially detracted from the centre's aesthetic appeal and diluted a large component of cross-shopping that typically occurs in a centre like Carillon Place. A sub-lease proposal was presented for a new Wal-Mart concept store. This proved to be a win-win situation for tenant and landlord. Winn-Dixie was able to transfer its lease obligations to another tenant, and DDR added a national brand to the centre.

Carillon Place gave Wal-Mart a rare opportunity to establish its Neighbourhood Market store – a smaller, grocery oriented format offering pharmaceuticals, health and beauty aides, and a limited line of general merchandise – in an area characterised by high population density and growth, with high barriers to entry. The exact strategic ingredients sought by Wal-Mart.

Wal-Mart's presence lifted the profile of Carillon Place and provided a strong drawcard for shoppers. Existing retailers were able to leverage off the increased shopper traffic, and Macquarie DDR achieved its goal to sustain the centre's income and growth profile.

Consistently high leased rate since inception

Our active management successes have contributed positively to Macquarie DDR's portfolio leased rates. Since inception, Macquarie DDR has consistently enjoyed leased rate levels above 95% across the portfolio. This is an extremely strong result given the increasingly variable retail market environment that market commentators have described. The difference lies in Macquarie DDR's retail value and convenience market niche, and our focus on actively managing the assets to enhance long term income returns. Together, these efforts position the Trust to potentially weather any short term market volatility while providing investors with a stable income stream.

Outlook

We will continue to drive higher operating income in all assets through active management, and exercise prudent capital management initiatives to mitigate the impact of foreign exchange rates on portfolio value. We will also stay focused on identifying opportunities to realise assets and redeploy capital in higher growth opportunities that will help to enhance longer term earnings for investors.

Trust summary

ASX code	MDT
Sector	US Retail
Number of properties	78
Assets under management	A$2.6 billion
Number of tenants	541
Leased[1]	98.3%

[1] As at 30 April 2007.

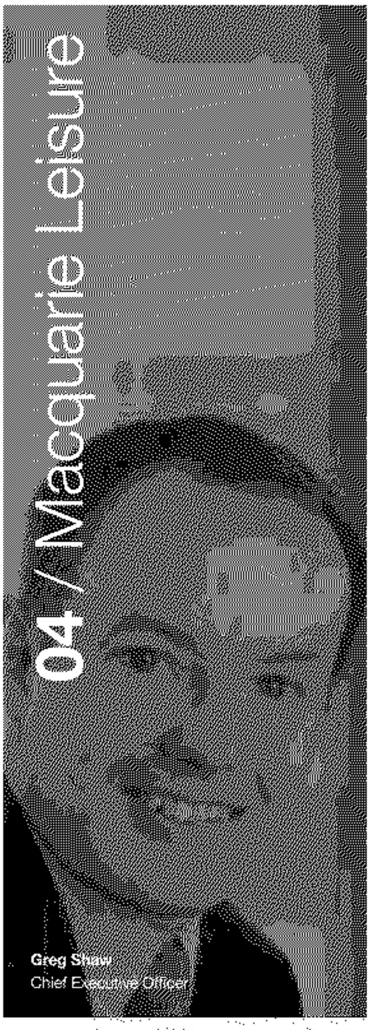
As at 31 May 2007

Performance

Distribution yield	7.8%
Annualised total return since listing	16.2%
Unit price	A$1.27

As at 31 May 2007.

04 / Macquarie Leisure



Greg Shaw
Chief Executive Officer

Trust summary

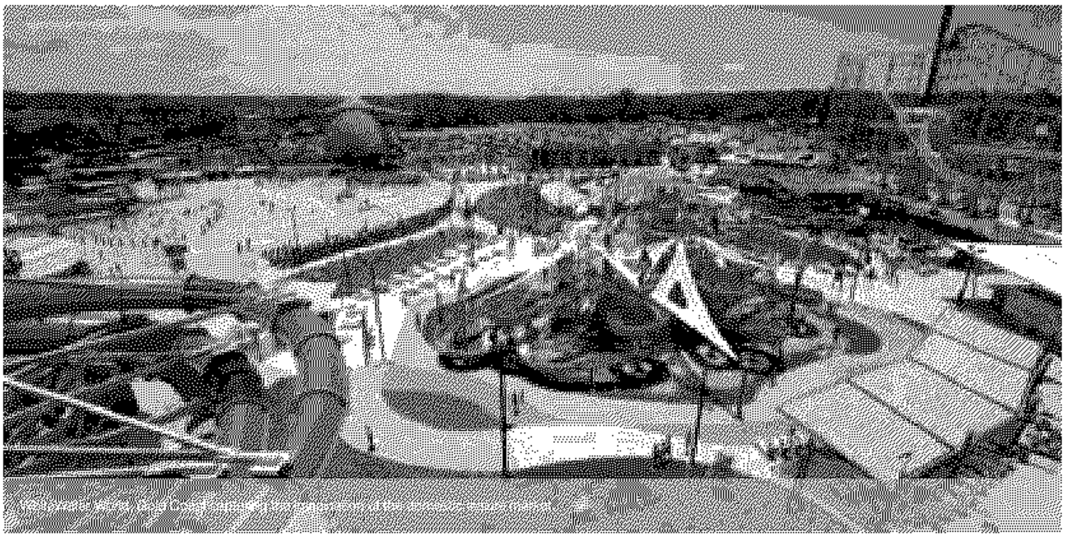
ASX code	MLE
Sector	Leisure
Number of properties[1]	66
Assets under management[2]	A$0.6 billion

[1] As at 31 May 2007.
[2] As at 31 March 2007.

Performance

Distribution yield	5.0%
Annualised total return since listing	28.6%
Unit price	A$3.36

As at 31 May 2007.



WhiteWater World, Gold Coast captured the imagination of the domestic leisure market.

Macquarie Leisure's unique blend of specialist operational skills and financial expertise has once again delivered exceptional results.

WhiteWater World makes a splashing entrance

Since opening in December 2006, WhiteWater World has captured the imagination of the domestic leisure market and successfully tapped into significant unsatisfied demand for a quality waterpark experience. This success has been reflected in total revenues of A$6.1 million recorded in the period to 31 March 2007, generating Trust rentals of A$2.9 million for the same period (before pre-opening expenses).

Having quickly established a strong local following in south-east Queensland, management is now focused upon broadening the park's client base in the interstate and special events markets.

WhiteWater World has also been recognised as 'one of the most water efficient water parks in the world', having generated a 57.6% saving in annual water consumption equivalent to 28 Olympic sized swimming pools – employing environmentally friendly water saving technology in its operations.

Dreamworld trading strengthened with the opening of WhiteWater World

The Two-Day World Pass introduced with the opening of WhiteWater World was enthusiastically embraced by patrons. Some 30% of WhiteWater World guests upgraded their single park tickets to the Two-Day World Pass.

Dreamworld's total revenue for the nine months to 31 March 2007 (the period) was A$69.3 million, representing a 5.2% increase over the prior corresponding period. Rental revenues climbed 10.5% for the period to A$25.4 million.

Two healthy Sumatran tiger cubs were born at Dreamworld on 31 March 2007. Part of an internationally recognised endangered species breeding program being carried out on Tiger Island, the cubs will be on display from the July school holidays.

Sumatran tiger cubs at Dreamworld.

d'Albora Marinas revenue continue steadily upwards

The performance of d'Albora Marinas has climbed steadily, with the division recording A$15.5 million in revenue for the period – a 6.9% increase over the prior year. Total rental was A$7.8 million, reflecting a 3% increase on the prior corresponding period.

Stellar results for AMF and Kingpin Bowling

The bowling division generated total revenues of A$65.1 million for the period – an 11.5% increase on the prior corresponding period. Rental revenue also increased 23.7% to A$15.4 million for the period.

In March, the Group acquired Panmure Superbowl in Auckland, New Zealand. Macquarie Leisure's second New Zealand bowling centre, it represents an exceptional opportunity to develop a 'Main Event' style, integrated family entertainment centre in a growing suburb of Auckland.

Significant progress has also been made in refurbishing existing sites and securing sites for new bowling facilities. These activities will come to the fore over the course of the year.

Kingpin at Crown Casino in Melbourne.

In May, the Group commenced development of a 36-lane flagship AMF Bowl facility located at the Bakehouse Quarter in Strathfield, Sydney. Completion is anticipated for September 2007. Additionally, the first stage of expansion of the Kingpin facility at Crown Casino, Melbourne, has been completed. Works are progressing on the remaining stages, targeting completion in August 2007. The Group has also announced that Kingpin Harbourside, the Group's Sydney CBD flagship, is on target to open in July 2007. We expect Kingpin Harbourside to be a popular destination for group and corporate markets, given the proximity of the Sydney CBD precinct.

Also during May, Macquarie Leisure entered into a contract to acquire Village Bowl for A$1.2 million, a well located property in the burgeoning residential suburb of Golden Grove, Adelaide. The business presents strong earnings upside potential with its close proximity to major educational and retail facilities and its stable league base. More targeted marketing strategies will be employed to attract birthday parties, school groups and social play in the immediate area.

Main Event maintained trading momentum ahead of expectations

Main Event has continued to trade ahead of estimates made at the time of acquisition in August 2006.

Main Event's seventh site at Webster, Houston, successfully opened on 9 May 2007 and was cash flow positive from its first week of trading. Construction of the Main Event facility at Lubbock, Texas, remains on track for opening in October 2007.

The business also recently entered into an option agreement to secure a 5.7 acre (2.3 ha) development site in Frisco, North Dallas, for US$2.96 million. Frisco is located in Denton County, with its primary trade area extending north into Collin County. These adjacent counties are recognised to be some of the fastest growing residential areas within Texas.

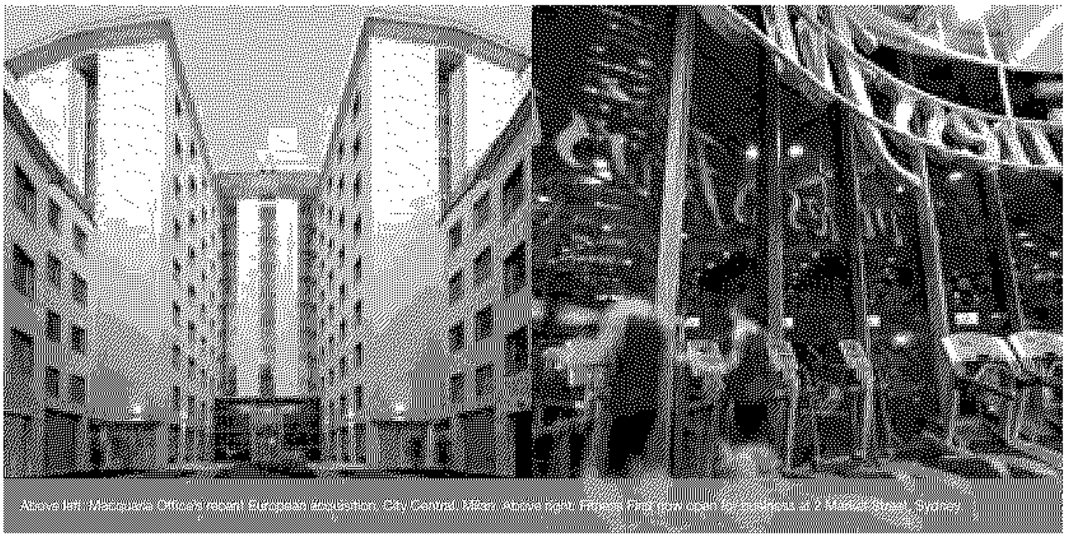
The site is located on a soon to be completed extension of the North Dallas tollway, in line with the business' strategy of being located on major transport routes. It forms part of a significantly larger retail development incorporating big box retail, restaurant and hotel facilities.

Outlook

The Macquarie Leisure Trust Group has benefited from holding dominant positions within a number of fast growing leisure segments. We will continue to drive earnings through a 'specialised sector, specialised management' approach, focusing on targeted acquisitions and development opportunities and improving operational efficiencies across each business.

Invest where you play

www.macquarie.com.au/mle



Above left: Macquarie Office's recent European acquisition, City Central, Milan. Above right: Fitness First now open for business at 2 Market Street, Sydney.

05 / Macquarie Office

Adrian Taylor
Chief Executive Officer

Macquarie Office remains focused on realising profits on asset sales with re-investments into growth markets that have the potential to increase total returns for investors.

Taking advantage of Europe to deliver greater growth

Macquarie Office's expansion into Europe was marked by the €84.7 million (A$141.2 million) acquisition of Atrium in Charlottenburg, Berlin, Germany. Consolidating its entry into Europe, the Trust recently also announced the €151.9 million (A$257.5 million) acquisition of City Central in Milan, Italy.

City Central is a recently refurbished, centrally located A-grade office property comprising of two adjacent, interconnected buildings – Building Macchi and Building Lepetit. Building Macchi offers 7,786 sqm of space and is currently 100% let to Milan's Ministry of Labour until 2012 at below market rents. Building Lepetit offers 22,386 sqm of available space and is attracting strong interest from corporates due to its large floor plates and the lack of contiguous accommodation in central Milan. The property also offers over 160 car spaces – an attractive feature for prospective occupiers. Milan is one of Europe's largest office markets and the preferred Italian headquarters of many international companies. We expect the growing demand for A-grade office space, coupled with a limited supply of new buildings and low vacancy rate of 6.2%[1] in this sub-market, to generate rental growth and capital appreciation of the asset.

[1] Jones Lang La Salle, Milan Office Market Update Q4 2006.

Maximising profits on property sales

In first quarter 2007, Railway Parade, Burwood and Elizabeth Plaza, North Sydney were sold, realising A$23.4 million gross profit before transaction costs and providing access to A$124 million of capital for reinvestment. The sales crystallised leveraged returns of 15% and 14% for the respective investments, reflecting our ability to maximise returns to investors through repositioning the assets by active management, leasing and refurbishment.

Leasing success in the US

Macquarie Office completed a large US leasing deal in May 2007 with joint venture partner Maguire Property Group. Holding two leases, multinational Wells Fargo Bank extended its primary lease and renewed its secondary lease for the Wells Fargo Center in Denver, Colorado. The Bank agreed to extend both leases to December 2020, with immediate rental increases and average 3% annual increases over the period.

Wells Fargo Center, Denver Colorado

As a result, we have retained a key customer and secured a further 13.5 years of property income with built in growth. We have also extended the building's average lease expiry from five to seven years – significantly enhancing property value, and demonstrating how the active management strategy contributes directly to total portfolio returns.

Environmental sustainability commitment reaps rewards

Macquarie Office has a strong commitment to environmental sustainability being a long time key proponent of energy efficiency in buildings. Australian Building Greenhouse Rating (ABGR) is a world first initiative helping building owners and tenants across Australia to benchmark greenhouse performance. The most recent ratings indicate an average 3.5 star ABGR across the Trust's Australian portfolio, increasing from 2.6 stars in the previous rating assessment.

A high ABGR is a key requisite of premises occupied by the Commonwealth government. Macquarie Office recently worked together with major customer, the Australian Tax Office (ATO), at its Newcastle, New South Wales and Northbridge, Western Australia properties upgrading the properties' sustainability quotients to address these requirements.

By installing smart metering technology, increasing efficiencies in electricity and water consumption and monitoring improvements, Macquarie Office secured extended lease commitments from the ATO at both buildings to 2017. This enhanced income security for both properties and guaranteed long term occupancy by a key tenant. Further, it has generated significant valuation increases in the Northbridge and Newcastle assets.

Enhancing the workplace environment

With the increasing amount of time spent at work, the ability for businesses to offer lifestyle options to their staff is very important. Enhancing assets with such features is also a key component of Macquarie Office's strategy to attract and retain customers. It allows the Trust to generate additional income by converting previously under utilised space into functional space, and enhances the work place environment for customers.

Fitness First opened for business at 2 Market Street, Sydney at the end of 2006. The enhanced amenities were a key feature for attracting new customer Caltex and retaining Allianz Australia. Together with the property's soon to be opened food court and in-building retail outlets, the fitness centre activates the ground floor level and contributes significantly to the building's total income.

Alchemy at 175 Eagle Street, Brisbane

Macquarie Office also welcomed Alchemy, a new fine dining restaurant, to the lower ground floor of 175 Eagle Street Brisbane. The culinary delights created by renowned chef and restaurant operators Brad and Angelica Jolly tied with the spectacular views of the Storey Bridge and Brisbane River, are extremely popular with the corporate lunch and special occasion dining markets.

Trust summary

ASX code	MOF
Sector	Office
Number of properties	41
Assets under management	A$5.6 billion
Occupancy	97%

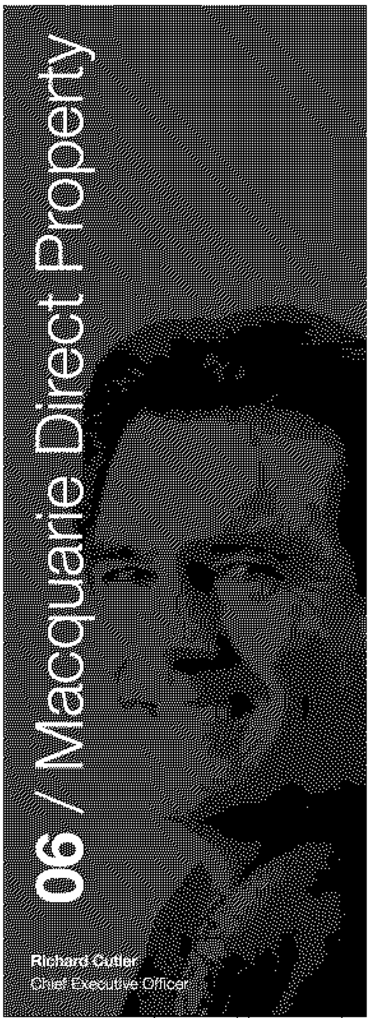
As at 31 May 2007.

Performance

Distribution yield	6.6%
Annualised total return since listing	12.9%
Unit price	A$1.69

As at 31 May 2007.

06 / Macquarie Direct Property



Richard Cutler
Chief Executive Officer

MDPF summary

Number of properties	7
Assets under management	A$471.0 million
Occupancy	96%

As at 31 March 2007.

MDPF performance

Year to 31 March 2007[3]

	Wholesale	Retail
Total return – one year	26.4%	25.7%
Total return – since inception (pa)	23.6%	23.0%
Unit price	A$1.21	A$1.20

[3] The performance fees are calculated net of fees and assume distribution reinvestment.

MPIF performance

Distribution yield (annual rolling since inception)	17.1%
Total return – one year	59.3%
Total return – since inception (pa)	29.5%
Unit price	A$1.59

As at 31 May 2007.

Closed ended property trusts

Net asset value

Macquarie Martin Place Trust	A$1.23
Macquarie Direct Property No. 11 – East Coast Portfolio	A$1.22

As at 30 April 2007.

Borrow to invest

You can borrow to invest in MDPF and MPIF through a Macquarie Property Access loan. For more information call 1800 656 819.

Unlisted funds

www.macquarie.com.au/directproperty

Examples of the quality assets across the portfolio: 1 Nicholson Street (above left) and 200 Queen Street, Melbourne (above right).

The unlisted funds management division of Macquarie Real Estate manages Macquarie Direct Property Fund (MDPF) and Macquarie Property Income Fund (MPIF). Both are open for investment and have attracted significant fund flows, having achieved strong total returns for investors to date.

MDPF goes international and returns 23% pa[1]

MDPF began in January 2006 and is an open ended unlisted property fund that aims to provide capital growth with regular, tax effective income, payable quarterly, from a growing portfolio of direct property, unlisted wholesale funds and listed property securities. MDPF participates in a wide range of other property investment activities to enhance return potential for investors, including potentially accessing Macquarie's global property investment pipeline.

Since inception, MDPF has returned 23%[3] per annum to 31 March 2007, while occupancy of the direct property portfolio has increased to 96%. The tailored listed property trust portfolio has performed well above benchmark delivering a 27.6% total return and there has been an addition of an A-grade Melbourne office tower to the portfolio.

In 2007, the Fund offered investors a unique opportunity to participate in Macquarie Real Estate's international deal flow with the diversification of 20% of the portfolio in commitments in international markets. These investments include:

- A$70.4 million[2] investment into the industrial / logistics Macquarie Goodman Hong Kong Wholesale Fund (MGW-HK);
- A$21.4 million[2] investment in the industrial / logistics Arlington European Logistics Fund, managed by a wholly owned subsidiary of Macquarie Goodman; and
- A$27.2 million[2] investment in the Macquarie joint venture managed Chinese retail fund – MWREF.

MDPF's targeted diversification aims to take advantage of strong performing international markets creating the potential for greater income and growth in the medium term for investors. Demonstrating this is the 31 March 2007 revaluation of the MDPF investment in MWREF that has seen the unit price in MWREF increase from A$1 initial investment in December 2006 to A$1.25. This reflected increased values in the underlying properties and represented an excellent result for MDPF investors.

The international diversification is complemented by the local direct office property portfolio that is currently 96% occupied and has delivered consistent income from assets in New South Wales, Victoria and Queensland. Active leasing and refurbishment plans by the Manager have seen occupancy continue to climb in key assets. For example, 68 Pitt Street, a central Sydney office tower is now 100% committed. As we make plans to refurbish parts of the building, upcoming lease expiries are an opportune time to build on this leasing trend and take advantage of the limited supply and tightening of effective rents in the Sydney CBD market.

Refurbishments are planned for 68 Pitt Street in the centre of the Sydney CBD.

[2] Based on 29 May 2007 FX rates

MPIF annual returns average 29% since inception[1]

MPIF is an open ended unlisted property securities fund that aims to provide relatively high levels of after tax income, payable quarterly, from an underlying portfolio of listed property securities. MPIF's investment is run on a multi-manager basis to reduce risk, whilst improving long term returns potential. Enhanced return potential is targeted by actively gearing the portfolio's investments, generally between 40% and 50%.

Listed property securities have outperformed the broader sharemarket over five and 10 years[4] and MPIF seeks to amplify these returns through gearing. In fact, in the recently released ASX Russell 'Long-Term Investing Report', Australian listed property trusts were shown to be the best performing investment both before and after tax over both 10 and 20 year periods to 31 December 2006. The portfolio is highly diversified and through investing in a wide range of listed property securities, potentially accesses over 1,700 underlying properties. This provides wide property, tenant and geographic diversity in the portfolio, combined with any tax deferred income paid from the underlying listed property securities, contributing to the ability of MPIF to pay tax effective income to investors. MPIF has been one of the best performing funds of its type on a one, two and three year basis as total returns of 59.3% were achieved for the year to 31 May 2007[1].

MPIF has recently been incorporated into the Macquarie Fusion® Funds June series, which is closing soon. Macquarie Fusion allows investors to gain exposure to MPIF with the benefit of capital protection at maturity and the option of borrowing up to 100% of the investment amount. For more information contact your financial adviser or call 1800 550 177. Applications close 5.00pm (AEST) 29 June 2007.

[4] Source: UBS Real Estate Monthly, 1 May 2007

Closed ended property trusts

Macquarie Martin Place Trust (MMPT) and Macquarie Direct Property No.11 – East Coast Portfolio (East Coast) incepted in 2002 and 2003 respectively, have delivered consistent returns to investors since that time, returning an average annual total return of 12.7% and 17.9%. The MMPT interest in No.1 Martin Place, Sydney is subject to a call option to Macquarie Office Trust for a period of 21 months beginning on 1 July 2007 and if exercised, may result in investors receiving full value via either scrip in Macquarie Office Trust or cash for their investment.

Important information

[1] Investors should note that past performance is not a reliable indicator of future performance.

The Macquarie Direct Property Fund and the Macquarie Property Income Fund are issued by Macquarie Direct Property Management Limited ABN 56 073 623 784 (MDPML). Potential investors should consider the relevant PDS when deciding whether to invest. To obtain a copy of the PDS, call us on 1300 365 585 (local call cost) or email us at propfunds@macquarie.com

Above left: Ngee Ann City, Singapore. Above right: Station L, Tokyo.

Franklin Heng
Chief Executive Officer

07 / Macquarie MEAG Prime REIT

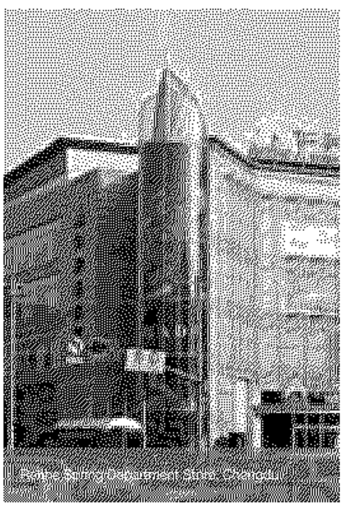
Macquarie MEAG Prime REIT's recent acquisitions in Tokyo and Chengdu mark the first stage in delivering on its regional strategy. We aim to have a substantial presence in four core markets – Singapore, Malaysia, China and Japan.

MMP REIT charges ahead with acquisitions amid strong performance

Eighteen months after its listing on the Singapore bourse, Macquarie MEAG Prime REIT (MMP REIT) has delivered strong financial results. For FY2006, MMP REIT outperformed initial public offering (IPO) projections on key performance metrics including gross revenue, net property income, distributable income and distribution per unit (DPU). In particular, MMP REIT's DPU has consistently outperformed IPO forecasts for five reporting quarters by an average of 11%. A record DPU of 1.47c was achieved in the fourth quarter of 2006, which was maintained for the first quarter of 2007.

Strong revaluation gains of S$171 million were another hallmark of the REIT's financial performance in its first full year of operations, contributing to a 17.2% increase in net asset value per unit to S$1.16 as at 31 December 2006, from S$0.99 as at 31 December 2005. Unitholders who had held MMP REIT units since its IPO would have enjoyed a total return of 27% as at 31 December 2006.

In the first quarter of 2007, MMP REIT's two high quality properties, Ngee Ann City and Wisma Atria, which are strategically located along Singapore's prime shopping street Orchard Road, enjoyed full occupancy for their retail space and close to 100% occupancy for their office space. For its office portfolio, MMP REIT achieved an average increase of 67% for contracted renewals and new leases over preceding rents. MMP REIT is well positioned to take advantage of the escalating office rents in Singapore. The outlook for retail rents along Orchard Road is also positive, on the back of record shopper visitations and retail spend in 2006.



Renhe Spring Department Store, Chengdu

Yield accretive acquisitions

Following improved returns from MMP REIT's existing properties in Singapore through a three-pronged strategy of proactive retail leasing, introduction of more step-rent structures and creative asset enhancements, the REIT has embarked on a focused acquisition trail. In April 2007, MMP REIT entered into conditional agreements to buy seven quality properties located in the prime areas of Tokyo, Japan for S$182.5 million and a 50% interest in a premier retail property in Chengdu, China for S$30 million.

The seven properties in Tokyo are situated in the sought-after areas of Roppongi, Shibuya-ku, Minato-ku and Meguro-ku. The properties, totalling some 70,000 sq ft in gross floor area, carry a balance of master leases which provide stable rental income and short term leases which provide potential for rental upside. These properties will immediately be income-producing upon completion of acquisition. Additionally, MMP REIT is confident that it can benefit from upward rental reversions on the back of improving retail and real estate markets in Japan, the second largest retail market in the world after the United States.

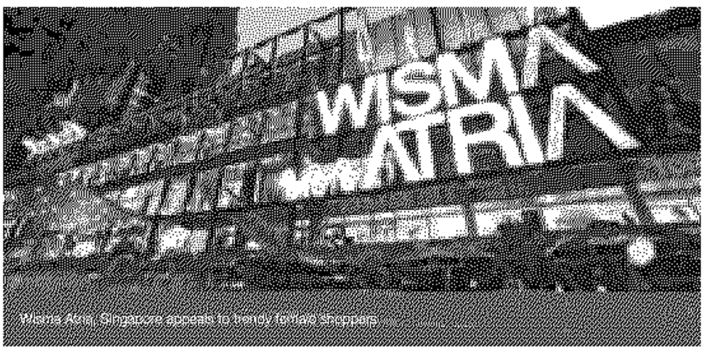
The property in Chengdu, Renhe Spring Department Store, is located in the capital city of Sichuan Province – the second most populous province in China. Strategically located in the Wuhou District of Chengdu, the property has a gross floor area of approximately 101,000 sq ft and was purchased from the Renhe Spring Group. The property, currently used as a high-end department store, houses premium brands such as Burberry, Prada, Dunhill, Ermenegildo Zegna, Givenchy, Gucci, Hugo Boss and Montblanc. In addition to this property, MMP REIT also has first right of refusal to Renhe Spring Group's pipeline of opportunities in China, and in particular to another two prime retail properties in Chengdu with a combined gross floor area of more than 1 million sq ft.

Outlook

These acquisitions mark the beginning of MMP REIT's regional strategy to achieve income and geographical diversification. Having secured a foothold in the recovering Japan and the burgeoning Chengdu retail and real estate markets, MMP REIT is now well placed to develop long term relationships with key market players in both markets, with a view to further drive its investment strategy.

MMP REIT is managed by Macquarie Pacific Star, a joint venture between Macquarie Bank Limited, MEAG MUNICH ERGO Asset Management GmbH and Investmore Enterprises Ltd.

Macquarie does not carry on banking business in Singapore. Macquarie does not hold a license under the Banking Act, Chapter 19 of Singapore and therefore is not subject to the supervision of the Monetary Authority of Singapore.



Wisma Atria, Singapore appeals to trendy female shoppers

Trust summary

SGX code	MMP Reit
Sector	Property
Number of properties[1]	10
Assets under management[1]	S$1.75 billion
Number of tenants[1]	353
Occupancy[1]	close to 100%

[1] After completion of acquisitions.

Performance

Distribution yield[2]	4.7%
Annualised total return since listing[3]	38.6%
Unit price[3]	S$1.27

[2] Annualised based on 1Q2007 DPU.
[3] As at 15 May 2007.

Setting the pace

www.mmpreit.com

In the community

As one of the pioneers of corporate philanthropy in Australia, Macquarie has provided support to community programs for more than 35 years.

We do so in the simple belief that a company has an obligation to work for the betterment of the communities in which it operates. The Macquarie Bank Foundation facilitates and focuses on the Bank's and staff contributions to the community in the areas of education, health care and research, the environment, welfare and the arts. It currently contributes more than A$12.6 million in community grants to over 500 organisations. It is a powerful proposition with a simple aim – to ensure that we support and improve the communities in which we live and work.

Taking on the ocean with the Cole Classic

In a show of dedication to the cause, over 30 staff from Macquarie Real Estate battled the ocean each morning from November 2006 to February 2007 for swim training. The task? To train for the 1-2km 2007 Cole Classic ocean swim, raising money for two charities, Youngcare and Sylvanvale. For many, it was their first ever ocean swim experience.

The swim took place on 4 February 2007 at Manly Beach. Combined, the teams, Macquarie Real Estate and the Macquarie Bank Foundation raised more than A$80,000 for Youngcare and Sylvanvale.

Competitors start the 1km swim from Shelley Beach at Manly.

20 / Twenty Challenge

On 11 March 2007, Macquarie Real Estate participated in the 20 / Twenty challenge, a team fundraising event organised by a Macquarie Real Estate staff member to raise funds for The Spastic Centre of NSW to support children suffering from cerebral palsy. 10 teams competed in this event, comprising of 50 participants who swam a 2km course from Shelley Beach and then tackled a 20km walk to Mosman to cross the finish line.

The Macquarie Real Estate 20 / Twenty team.

The day was a huge success. The event raised over A$500,000 for The Spastic Centre, including a A$250,000 matching donation from the Macquarie Bank Foundation which has enabled more than 370 items of specialised equipment to be provided, helping over 300 children directly with mobility and learning aids. Over the past four years the 20 / Twenty challenge has raised in excess of A$1.3 million. Macquarie Real Estate has committed to raising funds for this event for the next three years, with contributions to be boosted by additional funding from the Macquarie Bank Foundation.

Macquarie Giving

Macquarie Giving is an initiative within Macquarie Bank that encourages staff to provide financial support to not-for-profit organisations. Each month, Macquarie staff make donations directly to a charity (or charities) of choice through automatic deductions from their pay.

The program is supported by the Macquarie Bank Foundation, with the Foundation matching all donations and paying all administration costs, so 100% of staff contributions are received by charities. The Charities Aid Foundation (CAF) distributes these donations on behalf of Macquarie and its employees.

Macquarie Giving is enthusiastically supported by staff as it provides an easy and regular way to donate to their favourite charities, and a valuable, reliable income stream for not-for-profit organisations to enable long term planning.

By encouraging and supporting staff to give back to the community, the Foundation is an integral part of Macquarie's operations. It ensures staff are empowered to engage in charity and community activities, and that Macquarie Bank as a whole is supporting the communities in which it operates.

General investor information

Upcoming distribution timetable	
Ex-distribution date	25 June 2007
Record date	29 June 2007
Approximate distribution payment dates	
Macquarie Office Trust	20 August 2007
Macquarie DDR Trust	24 August 2007
Macquarie CountryWide Trust	27 August 2007
Macquarie Leisure Trust Group	28 August 2007
Annual reports mailed	End September 2007

Upcoming distribution timetable – MDPF, MPIF	**On or about**
Macquarie Property Income Fund	31 July 2007
Macquarie Direct Property Fund	6 August 2007

The above payment dates are approximate and are subject to change.

Contact details

Manager

To find out more about Macquarie's listed property trusts, please talk to your adviser or contact us:

Email propfunds@macquarie.com
Website www.macquarie.com.au/propertytrusts
Call 1300 365 585 (within Australia)
+612 8232 6635 (outside Australia)
Fax 02 8232 6510 (within Australia)
+612 8232 6510 (outside Australia)

Unit registry

To update your unitholding details (eg change of address, lodge TFN number) please contact Link Market Services:

Email registrars@linkmarketservices.com.au
Website www.linkmarketservices.com.au
Call 1300 303 063 (within Australia)
+612 8280 7134 (outside Australia)
Fax 02 9287 0303 (within Australia)
+612 9287 0303 (outside Australia)

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