asx release+

Goodman notes Standard & Poor's Australian REITs ratings action

Date	2 April 2009
Release	Immediate

Please refer to the attached releases by Standard & Poor's in respect of the Australian REIT sector and Goodman (the "Group") which note that they have downgraded the Group from BBB+ negative watch to BBB negative outlook.

The effect of the downgrade is to increase the Group's interest expense on an annualised basis by approximately $2 million.

For further information, please contact Goodman:

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About Goodman: Goodman owns, develops and manages industrial property and business space globally. It is the largest industrial property group listed on the Australian Securities Exchange and one of the largest in the world, with offices across Asia Pacific, UK and Europe. At the core of the Group's success is its integrated customer service model, which reflects the organisation's commitment to creating long-term customer relationships.

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Press Release

Credit Quality Of Australian REITs Weakens; Goodman And Mirvac Downgraded, GPT Outlook Revised To Negative

Melbourne, April 2, 2009—Standard & Poor's Ratings Services today said it has taken a number of rating actions on Australian real estate investment trusts (AREITs) after a review of the sector concluded that credit quality of about 30% of the rated portfolio had weakened. Among today's changes, we lowered our long-term corporate credit ratings on Goodman Group (BBB/Negative/--) and Mirvac Group (BBB-/Stable/A-3) by one notch, and revised the rating outlook on GPT Group (BBB/Negative/A-3). See full list of rating actions below.

As we indicated in the last review of the AREIT sector ("Global Financial Woes Fray Credit Quality, But Australia's Rated REITs Are Holding Firm, For Now", published to RatingsDirect on Oct. 6, 2008), the longer the difficult conditions in capital markets extend, the more likely it becomes that our overall ratings bias on the sector could shift negative. Six months later, ongoing refinancing pressures and sticky debt levels have contributed to our more negative view of the AREIT sector, which is reflected in the recent negative rating actions taken.

"Against a backdrop of uncertain and volatile macroeconomic conditions, we have taken a number of negative rating actions on the AREIT sector in the past few months, largely because of a scarcity of debt funding, rising capitalization rates, and weakening financial metrics," Standard & Poor's credit analyst Craig Parker said. "Our heightened focus on the sector's exposure to volatile development earnings, modest earnings coverage, high debt levels, liquidity to meet forthcoming commitments, and access to capital were partly reflected in our latest rating actions on Goodman, GPT, and Mirvac."

Although we do not believe that credit quality for the majority of our rated AREIT sector is likely to come under immediate pressure in 2009, the sector's maturing debt in 2010—combined with the potential for decelerating rental growth for most property types—has accentuated our concerns for AREITs with large capital needs (that come in the form of completing committed developments or meeting debt maturities).

We note that this real estate downturn is unique in that both the tenants (who provide annuity-style income) and the debt financiers (who are the traditional liquidity providers) are both under stress. We are observing that there is a growing reluctance by the traditional property bankers to grant AREIT requests for additional flexibility in their revolving credit facility covenants; at the same time, these bankers are seeking to limit their exposure to single AREIT names. Furthermore, it seems these banks are increasingly reluctant to yield to such requests without receiving additional reassurance, which they achieve by reducing borrowing capacity, raising borrower costs, and/or requiring collateral in exchange for the revised terms.

Mr. Parker added: "Although we believe that some of the headwinds faced by AREITs are part of the normal real estate cycle, the longer the difficult conditions in capital markets extend, the more likely it becomes that our overall ratings bias will continue to shift negative. If we find that 2010 is likely to continue to remain weak, with non-real estate-related extraneous factors continuing to drag the sector down, we expect that some of the investment-grade ratings in the portfolio may continue to transition down the credit curve."

Ratings List

Long-term corporate credit ratings lowered:

	To	From
Goodman Group	BBB/Negative/--	BBB+/Watch Neg/--
Mirvac Group	BBB-/Stable/A-3	BBB/Watch Neg/A-3

Long-term corporate credit rating affirmed, short-term corporate credit rating lowered, outlook changed:

	To	From
GPT Group	BBB/Negative/A-3	BBB/Stable/A-2

Corporate credit ratings and outlooks affirmed:

Australian Prime Property Fund Retail	A/Stable/A-1
CFS Retail Property Trust	A/Stable/A-1
Commonwealth Property Office Fund	A-/Stable/A-2
Dexus Property Group	BBB+/Stable/A-2
QIC Shopping Centre Fund	A-/Stable/A-2
Stockland	A-/Negative/A-2
Westfield Group	A-/Stable/A-2

For further detail on these rating actions, please refer to the Research Updates of the individual issuers, scheduled to be released to RatingsDirect shortly.

About Standard & Poor's

Standard & Poor's, a subsidiary of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of independent credit ratings, indices, risk evaluation, investment research and data. With offices in 23 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit http://www.standardandpoors.com

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April 1, 2009

Research Update:

Goodman Group Ratings Lowered To 'BBB' On Weakened Financial Profile; Outlook Is Negative

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Research Update:

Goodman Group Ratings Lowered To 'BBB' On Weakened Financial Profile; Outlook Is Negative

Rationale

On April 2, 2009, Standard & Poor's Ratings Services lowered its long-term corporate credit rating on the Goodman Group to 'BBB' from 'BBB+'. At the same time, the rating was removed from CreditWatch with negative implications, where it was placed on Feb. 26, 2009. The rating on the Goodman Plus hybrid was also lowered to 'BB+' from 'BBB-'. The rating outlook is negative.

The rating downgrade reflects our concerns that the group's financial profile will continue to remain outside our expectations for the 'BBB+' rating due to higher debt levels and the expected pressure on future earnings as Goodman's major tenants cope with declining economies, which may reduce demand for industrial and office-park space. Our concerns are also focused on the group's reduced access to capital, as evidenced by the challenging conditions in the global debt and equity markets. We also believe that the group's capital structure is aggressive, reflecting the debt-funded acquisitions, which have been purchased on the expectation that they would be sold down into managed funds and/or to third parties.

Goodman's recently reported half-year results for fiscal 2009 revealed that the company is facing challenges in executing its business strategy of owning, developing, and managing industrial property across Asia Pacific, the U.K., and Europe. Difficult market conditions for industrial property and the office-park market, coupled with a sharp depreciation in the Australian dollar relative to the euro and pound sterling, are depressing Goodman's financial metrics to levels sub-par for the 'BBB+' rating. We believe that the financial metrics are unlikely to improve in the near term and the group's look-through EBIT interest cover is likely to remain about 2.5x, below expectations for the 'BBB+' rating of 3x; at the same time, we expect the group's gearing ratio (debt-to-assets) to remain about 52%, above management's preferred target of 50%. While Goodman has been recycling warehoused assets into self-managed funds, and has successfully undertaken asset sales to reduce its investment holdings, the increase in its cornerstone investment holdings above its preferred holding has placed pressure on the group's look-through credit metrics. We expect that Goodman will continue its disciplined approach to capital and operational expenditure, coupled with a prudent approach to capital management, which are critical to countering the impact of further market weakness.

Standard & Poor's acknowledges that the lower earnings contribution from the group's more volatile development operations supports earnings quality and illustrates Goodman's reducing exposure to development activities. In the first half of fiscal 2009, property investments comprised 70% of the group's EBIT (on a look-through basis), with management-fee income contributing 24% and development 6%. The development pipeline has been substantially wound back to A$1.5 billion, from A$3.1 billion; Goodman is responsible for 11% of this development spending, with the remainder funded by third parties and Goodman funds. In addition, management has responded to the challenging market conditions with an equity raising of A$956 million and A$378 million of asset sales to counter the devaluation in the Australian dollar and to provide a buffer against portfolio devaluations.

Liquidity

Goodman's liquidity is considered adequate, as available liquidity will diminish after May 2010. The next sizeable debt maturities are: the first tranche of its syndicated facility maturing on May 24, 2009, drawn to A$460 million; a A$115.6 million bank facility due on Dec. 31, 2009; followed by the second tranche of its syndicated facility of A$520 million due on May 24, 2010. We remain focused on the May 2010 debt maturity, as Goodman's access to cash and undrawn committed bank facilities diminishes considerably if the preceding debt is not able to be rolled over. With the combination of the A$166.7 million of cash held at Dec. 31, 2008, and about A$674 million of available bank-debt facilities, Goodman has liquidity to meet net investment cash outflows over the next 12 months.

Although Goodman has no existing unfunded capital requirements, we regard ongoing access to capital as a key measure of financial flexibility for stapled property entities. Goodman's committed capital expenditure and short-term debt refinancing tasks are covered by adequate access to cash and undrawn committed bank facilities. Within the funds business, there is A$124 million of debt financing due in calendar 2009. There remains adequate covenant headroom for Goodman's on-balance-sheet debt facilities and other managed funds.

Standard & Poor's expects that Goodman will continue with its strategy of further diversifying its sources of debt capital, lengthening its debt-maturity profile, and reducing its reliance on the banking sector. However, given the difficult financing markets, this strategy is proving to be problematic.

Outlook: Negative

The ability for Goodman to strengthen its financial and liquidity profile and maintain ready access to capital markets is key to returning the 'BBB' rating to a stable footing. This would be achieved by the group successfully extending its debt-maturity profile beyond the current weighted average of 3.5 years, achieving financial metrics that are consistent with the long-term targets, and successfully maintaining adequate liquidity to meet forthcoming capital commitments and debt maturities. Downward pressure on the long-term rating would be a result of a more severe weakening in the industrial and office-park markets that further depress earnings, and if Goodman encounters significantly higher costs or lender resistance associated with its future debt rollovers.

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Goodman Group		
Corporate Credit Rating	BBB/Negative/--	BBB+/Watch Neg/--
Goodman Australia Finance Pty Ltd.		
Senior Unsecured	BBB	BBB+/Watch Neg
Goodman Finance (Lux) sarl		
Senior Unsecured	BBB	BBB+/Watch Neg
Goodman Industrial Finance (Aust) Pty Ltd.		
Senior Unsecured	BBB	BBB+/Watch Neg
Goodman PLUS Trust		
Subordinated	BB+	BBB-/Watch Neg
Goodman Group		
Senior Unsecured	BBB	BBB+/Watch Neg
Goodman Finance (Jersey) Ltd.		
Senior Unsecured	BBB	BBB+/Watch Neg
Goodman Finance (Lux) sarl		
Senior Unsecured	BBB	BBB+/Watch Neg
Goodman Industrial Trust		
Senior Unsecured	BBB	BBB+/Watch Neg
MG Finance (Jersey) Ltd		
Senior Unsecured	BBB	BBB+/Watch Neg
MG Finance Australia Trust		
Senior Unsecured	BBB	BBB+/Watch Neg
MG Finance Luxembourg sarl		

Senior Unsecured	BBB	BBB+/Watch Neg
MG Finance Singapore PTE LTD		
Senior Unsecured	BBB	BBB+/Watch Neg
MG Property Opportunities sarl		
Senior Unsecured	BBB	BBB+/Watch Neg
MGI HK Finance		
Senior Unsecured	BBB	BBB+/Watch Neg

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