

ASX Release

7 June 2007

BABCOCK & BROWN AND THE GPT GROUP OUTLINE CHANGES TO INTERNATIONAL JOINT VENTURE

International investment and advisory firm Babcock & Brown (ASX: BNB) and real estate group The GPT Group (ASX: GPT) today outlined a number of changes to their international property Joint Venture to ensure it is well positioned to build on the success and positive momentum achieved to date.

The changes result in the acquisition of a European asset management platform by GPT and the appointment of Babcock & Brown to manage the Joint Venture portfolio (Joint Venture Fund).

Neil Tobin, General Manager for the Joint Venture for GPT said "The new arrangements are a pragmatic evolution of our successful joint venture. The relationship between GPT and Babcock & Brown has strengthened over the past two years as we have learnt how best to work together to achieve our respective goals. This is reflected in the fact that we are now committed to working together for at least another five years. The changes outlined today are designed to ensure the Joint Venture delivers long term strategic value for both parties."

Since its inception two years ago, the Joint Venture has invested in a portfolio of assets (the Joint Venture Fund) of more than \$6 billion, across a range of international real estate markets and sectors. The Fund is forecast to grow to around \$9 billion when the total committed equity capital of \$2.2 billion is fully invested.

The recycling of this capital over the next five years will ensure that the Joint Venture Fund remains well positioned to take advantage of opportunities in its target markets.

Eric Lucas, Global Head of Real Estate for Babcock & Brown said "The changes being announced today provide a higher degree of certainty for both parties and even greater alignment of interest.

"These refinements enable both parties to pursue funds opportunities and develop asset management capabilities building on each of the parties' respective strengths, whilst at the same time making those platforms available to the Joint Venture and giving the Joint Venture's investment activities a structured, medium term focus."



The Joint Venture changes include the following key elements:

- The establishment of an agreed investment term of five years from July this year (with a divestment period of up to three years),
- Babcock & Brown will take responsibility for management of the Joint Venture Fund, in accordance with pre-agreed guidelines which have been adopted by the Joint Venture Committee. The Joint Venture Management Committee will maintain its existing membership with equal representation from both partners.
- The ownership of the current asset management platforms will be restructured and subsequently owned by the respective parties independently. Reflecting this approach GPT will acquire the UK based Halverton investment and asset management business and the Joint Venture's 60% interest in Hamburg Trust, a closed end German funds management business. Through Halverton, GPT will be responsible for the asset management of the Joint Venture Fund's European light industrial and multi-tenanted shopping centre portfolios.

Babcock & Brown, will asset manage all other Joint Venture owned assets and will acquire 100% of Gregory Greenfield & Assoc., a US based retail asset management and advisory business. This platform will asset manage the Joint Venture Fund's US retail portfolio.

Babcock & Brown has the opportunity to create funds which it manages through the disposition of Joint Venture Fund assets, other than where Halverton is the asset manager.

- A revised fee structure, which reflects Babcock & Brown's management responsibilities towards the Joint Venture Fund going forward is designed to achieve an even greater alignment of interests between the parties. The fee structure incorporates lower acquisition fees, and introduces base fees and incentive fees linked to the achievement of GPT's return on equity targets.

Babcock & Brown and GPT maintain a 50 per cent ownership in the Joint Venture.

For further details, please see the Investor Presentation lodged today.

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About Babcock & Brown

Babcock & Brown is a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments.

Babcock & Brown was founded in 1977 and is listed on the Australian Stock Exchange. Babcock & Brown operates from 28 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1000 employees worldwide. Babcock & Brown has five operating divisions including real estate, infrastructure and project finance, operating leasing, structured finance and corporate finance. The company has established a funds management platform across the operating divisions that has resulted in the creation of a number of focused investment vehicles in areas including real estate, renewable energy and infrastructure.

For further information about Babcock & Brown please see our website:
www.babcockbrown.com

About The GPT Group

Dating back to 1971, the GPT Group (GPT) is one of Australia's largest and longest running diversified listed property groups. With a substantial investor base of over 47,000 investors, the Group's strategy focuses on generating superior returns from real estate and related investments.

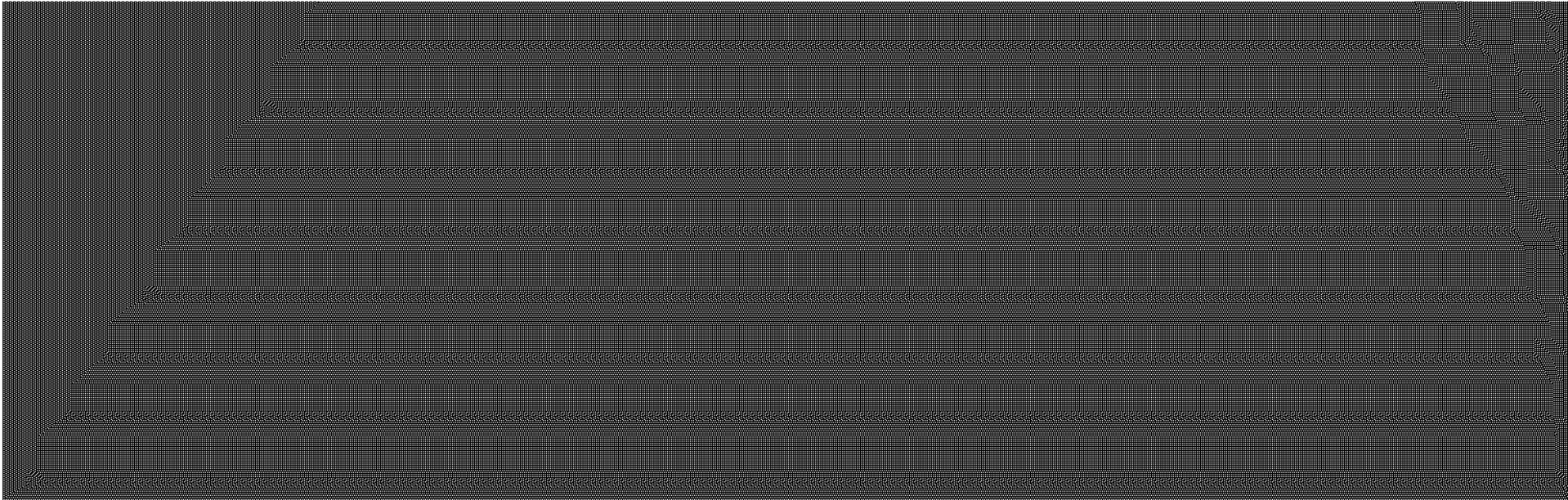
GPT's portfolio of quality assets includes investment properties located around Australia in the retail, office, industrial/business park and hotel/tourism sectors and a portfolio of seniors housing assets located in the New England region of the United States. The Australian portfolio, which has been built over more than 30 years, includes assets in Australia's major CBDs and tourist locations. Other investments include a 50% interest in a joint venture with global investment and advisory firm Babcock & Brown invested in real estate in Europe and the US and a growing funds management business which has over \$4 billion of assets under management in Australia.

GPT's capabilities include a full range of property expertise and the Group has an experienced team of over 300 industry specialists. The Group currently has staff in Australia, Europe, the UK and the US.

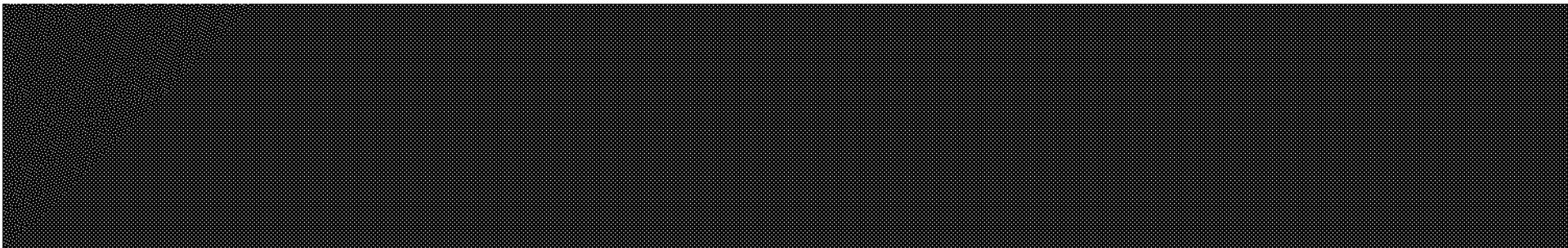
For further information about GPT please see our website:
www.gpt.com.au

Attachment:

Market presentation



Joint Venture Update



Joint Venture Update

Overview

- GPT and Babcock & Brown (B&B) have revised the terms of their international property joint venture (JV)
 - Builds on success and momentum to date
 - Represents evolution in relationship between the parties
- Capital structure and mandate of the JV remains essentially unchanged
 - Retains key objectives and benefits of the existing arrangements for both parties
 - Involves the re-organisation of management roles and responsibilities
 - Achieves an even greater alignment of interests between the parties under a new fee structure

Joint Venture Update

Overview of changes

- Both parties have renewed commitment to the JV for a further 5 years
 - Proceed to an asset realisation period after June 2012
 - Allows both parties to plan for the future
- Reorganisation of management roles and responsibilities
 - B&B responsible for management of JV portfolio (JV Fund) in accordance with already agreed business plan
 - JV Committee continues to be responsible for governance and direction
 - GPT to acquire the JV's interest in Halverton and Hamburg Trust
 - B&B to own 100% of the Greenfield retail and BNP multi family asset management platforms
 - Allows the JV to capitalise on the respective strengths of each party
- Fee structure revised to deliver even greater alignment of interests
 - Management fee paid to B&B - subject to achievement of agreed GPT ROE targets
 - 50 / 50 ownership reinforces alignment

Joint Venture Update

Capital structure

- The additional capital commitments announced in November last year remain in place
- From 2009, \$163m of preferred capital will be redeemed by GPT p.a.
 - Expected to be funded by increasing LTV from 75% up to 85% or via asset sales
- Blended GPT Preferred Return priced at 281bps over the three year swap rate
- JV geared at 75% (pre GPT Preferred Capital redemptions) with non recourse debt
 - Minimum 75% of debt to be hedged with weighted average duration of at least 4 years

JV Capital Structure (A\$m)	Existing capital	Additional capital	Total Capital
GPT Preferred	1,020	608	1,628
GPT Ordinary	240	96	336
Total GPT Equity	1,260	704	1,964
B&B Ordinary	140	96	236
Total JV Equity	1,400	800	2,200

Additional \$200m of short term capital available to fund acquisitions where that capital can reasonably be expected to be repaid within 6 months

Joint Venture Update

ROE targets and fees

- JV ROE targets being lifted to 13-15% for the period 2007-2010
 - Previous targets were 12-15%
 - Applies to total JV capital (including Preferred capital)

JV Capital Structure	2007	2008	2009	2010
JV ROE targets (total capital)	13.0%	14.0%	14.5%	15.0%
GPT ROE targets (incl Preferred capital)	9.7%	10.7%	11.7%	12.6%

Note:

1. Targets are expressed net of fees
2. JV ROE targets based on 75% LTV, pre redemption of Preferred capital
3. GPT ROE targets post redemption of Preferred capital

- JV will have a new market based fee structure payable to B&B
 - Acquisition fee - 1% of purchase price
 - Management fee (base + incentive) capped at 1% pa subject to achieving GPT ROE targets
 - Base management fee - 0.5% of assets under management
 - Incentive management fee - 0.5% of assets under management

Joint Venture Update

Re-organisation of roles and responsibilities

- B&B responsible for management of the JV Fund in accordance with already agreed business plan and investment guidelines
- JV Committee continues to be responsible for governance and direction
- Management and ownership of selected JV assets to be re-organised

Business/assets	Primary role	Comments
Halverton	GPT	<ul style="list-style-type: none"> ▪ GPT to move to 100% control of Halverton ▪ Intention to securitise the light industrial portfolio, managed by Halverton ▪ GPT to acquire office assets currently being warehoused by JV to seed a Halverton fund
Hamburg Trust	GPT	<ul style="list-style-type: none"> ▪ GPT to acquire JV's 60% interest (balance owned by management and Credit Suisse)
European shopping centres (1)	GPT	<ul style="list-style-type: none"> ▪ JV continue to own shopping centre portfolio valued at \$630 million ▪ Portfolio to be managed by Halverton
Greg Greenfield & Assoc.	B&B	<ul style="list-style-type: none"> ▪ JV to acquire 50% interest in portfolio of 8 US malls ▪ B&B to own Greenfield platform and manage assets ▪ Greenfield platform to manage Colonial portfolio

(1) Excludes German retail portfolio

Joint Venture Update

Greenfield Portfolio

- JV to acquire a 50% interest in the Greenfield Portfolio
- 8 assets acquired at a cost of approximately US\$350m (50% share)
- First year forecast yield of approximately 7%
- Located primarily in regional markets in south-east USA
- Provides greater mall portfolio scale and diversity and an enhanced acquisition pipeline
- Colonial assets to be managed by Greenfield
 - JV to acquire Colonial's 10% portfolio interest
 - Upon completion, Greenfield will manage 22 malls on behalf of JV and third parties

Key Metrics	Colonial Portfolio	Greenfield Portfolio	Total Portfolio
Book cost (US\$m)	470	350	820
Number of properties	8	8	16
Total GLA ('000) Sq Ft	4,836	5,789	10,625
Occupancy	95%	93%	94%
Sales (US\$/sq foot)	\$306	\$341	\$327
Occupancy cost	10%	12%	11%
2007 Yield	7.3%	~ 7%	7.1%

Joint Venture Update

Outlook

- The outlook for the JV portfolios continues to be strong – 2007 pipeline is significant and will generate further geographic and sector diversification
- Near term disposition/syndication opportunities include:
 - Securitisation of light industrial portfolio
 - Syndication of German retail assets
 - Continued trading around core positions in the German residential portfolio
- The JV is on track to deliver 13% ROE in 2007, net of top-up repayment
 - Focusing on 2008 returns

Appendix

Greenfield Portfolio

Property Name	GLA (sq ft)	Occ %	Occ Cost	TTM Sales PSF	Anchors
Killeen Mall, Texas	558,929	94.0%	9.8%	\$451	Dillards, Dillards Men's, JC Penney, Sears, Steve and Barry's
South Park Mall, Texas	789,828	98.2%	11.7%	\$388	Macy's, JC Penney, Sears, Mervyn's, Bealls
Westland Shopping Center, Michigan	1,056,696	98.6%	13.5%	\$342	Macy's, JC Penney, Sears, Kohl's
Fort Smith, Arkansas	730,728	89.1%	10.0%	\$324	Dillards, Dillards Men's, JC Penney, Sears
Westgate Brockton, Massachusetts	606,263	97.2%	14.2%	\$321	Macy's, Sears, Marshall's, Best Buy
Westgate Amarillo, Texas	885,063	96.1%	11.7%	\$345	Dillards, Dillards Men's, JC Penney, Sears, Bealls
Mesilla Valley Mall, New Mexico	587,660	85.1%	10.4%	\$263	Dillards, Dillards Men's, JC Penney, Sears
Santa Fe Place, New Mexico	573,875	88.1%	11.6%	\$279	Dillards, Sears, JC Penney, Mervyn's
Total / Weighted average	5,789,042	93.1%	11.5%	\$341	

Appendix

Regional Mall Portfolio

Top Ten Tenants by GLA		
		Post Acquisition
1	JC Penney	14.2
2	Sears	13.1
3	Belk	8.1
4	Dillards	7.1
5	Macy's	5.2
6	Footlocker	2.8
7	Steve & Barry's	2.1
8	Limited Brands	1.7
9	Bass Pro	1.6
10	Mervyn's	1.1
	Other	43.0
	Total	100%

Post acquisition represents 100% of Colonial Portfolio and 50% Greenfield Portfolio

Appendix

Regional Mall Portfolio

