

## ASX Release / Media Release

18 July 2011

### **MIRVAC ESTABLISHES STRATEGIC RELATIONSHIP WITH K-REIT ASIA VIA SALE OF 50% INTEREST IN 8 CHIFLEY SQUARE**

Mirvac Group ("Mirvac") [ASX:MGR] announces that it has today agreed to sell a 50% interest in 8 Chifley Square to K-REIT Asia ("K-REIT").

A summary of the transaction is outlined as follows:-

- The sale price for the 50% interest will lie in the range from A\$154.4 million to A\$169.8 million depending on committed rental rates.
- K-REIT is to fund 50% of the development costs at a pre agreed capitalisation rate of 6.65%.
- Mirvac is to provide K-REIT with a 5 year rental guarantee.
- On completion, Mirvac Asset Management ("MAM") will be appointed as property manager by the co-owners.
- The transaction is subject to FIRB approval.

Mirvac's Managing Director, Nick Collishaw said, "We are very pleased to welcome K-REIT as a strategic investor with a 50% interest in the development and long term ownership of 8 Chifley Square. This part sale is consistent with the Group's commitment to drive development returns from commercial activities while taking a prudent approach to managing development risk and the Group's capital position."

"Building wholesale relationships with strategically aligned investors will assist the Group in meeting our goal of deriving 20% of net operating profit after tax from development activities through the cycle" he said.

"Mirvac has a successful track record in leasing office space as demonstrated by an occupancy rate of 97.8% for its office portfolio. The premium location, unique and efficient design of 8 Chifley Square, coupled with the limited medium-term supply of quality office space bodes well for future leasing prospects," Mr Collishaw said.

K-REIT is aligned with Mirvac's preferred leasing strategy of seeking a diversified tenant base, and the sale price supports the feasibility rents and end value.

8 Chifley Square will be a premium grade commercial building on a landmark Sydney CBD site. The architects are Rogers Stirk Harbour + Partners and Lippmann Partnerships. The building is scheduled for completion in FY14 and will have a total net lettable area of 19,100sqm.

The property is targeting a 6 star Green Star rating (by the Green Building Council of Australia) and is designed to achieve a 5 star NABERS Energy Rating, the highest environmental design and energy ratings for sustainable buildings in Australia.

Attached is a media announcement made by K-REIT Asia today.

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### **About K-REIT Asia**

Sponsored by Keppel Land Limited, one of the largest listed property companies in Singapore, K-REIT Asia was listed on the Singapore Exchange on 28 April 2006 following a distribution in specie of units in K-REIT Asia to its shareholders.

K-REIT Asia aims to generate steady and sustainable returns for its Unitholders by investing in quality income-producing commercial properties and real estate-related assets in Singapore and key cities pan-Asia.

As at 30 June 2011, K-REIT Asia has an asset size of approximately \$3.6 billion, comprising six quality commercial properties. In Singapore, these include Bugis Junction Towers, a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, a one-third interest in One Raffles Quay and a 92.8% interest in Prudential Tower. In Australia, K-REIT Asia owns the office tower at 77 King Street in Sydney and a 50% interest in 275 George Street in Brisbane.

K-REIT Asia is managed by K-REIT Asia Management Limited, a wholly-owned subsidiary of Keppel Land Limited.

## Press Release

### **K-REIT Asia acquires 50% stake in premium grade office building under development in Sydney's Central Business District**

*Forward funding arrangement provides regular income to K-REIT Asia's unitholders.*

**Singapore, 18 July 2011** - K-REIT Asia Management Limited, as Manager of K-REIT Asia, is pleased to announce that RBC Dexia Trust Services Singapore Limited, in its capacity as the trustee of K-REIT Asia has entered into an agreement with Mirvac Property Trust (the "Vendor") for the acquisition of a 50% interest in Mirvac 8 Chifley Trust, which owns 8 Chifley Square, Sydney, Australia (the "Property") (the "Acquisition").

The Property is a 30-storey premium grade commercial building currently under development and is scheduled for completion in the third quarter of 2013. It is located in the heart of Sydney's Central Business District ("CBD") at the junction of Hunter Street and Elizabeth Street. The Property will have an estimated 205,700 square feet of net lettable area when completed.

The Property is targeted to achieve a 6 Star Green Star rating by the Green Building Council Australia and a 5 Star National Australian Built Environment Rating System ("NABERS") energy rating, both the highest in their respective categories. Through the application of state-of-the-art green technologies and effective water reduction, reduced emissions of CFCs and the use of sustainably-sourced materials, the Property will have 75 per cent less carbon emissions than those of a typical Sydney CBD office building.

The Acquisition will be at a price ranging from A\$154.4 million (S\$203.0 million) to A\$169.8 million (S\$223.3 million) depending on the committed rental rates of the leases when the Property is completed, subject to a maximum cap at A\$169.8 million.

K-REIT Asia's unitholders can expect to benefit from the Acquisition as there will be quarterly coupon distributions payable to K-REIT Asia until the building is completed. The Acquisition is expected to provide an incremental distribution per unit of 0.07 cents, an accretion of 1.1% on a pro forma basis for the financial year 2010. In addition, there will be a five-year rental guarantee from the Vendor in the event that the Property is not fully leased at the pre-agreed rental rates on completion.

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Ms Ng Hsueh Ling, CEO of K-REIT Asia Management Limited, said, "The forward funding structure gives unitholders income on a regular basis from day one of the acquisition. The income from this acquisition is expected to increase as we progressively pay for our 50% interest during the term of the development."

"We are pleased to establish a strategic relationship with the Mirvac Group and acquire a 50% interest in this quality development. We are confident that 8 Chifley Square will be in demand by leading corporations which value both the prime location and the premium quality of the building," Ms Ng said.

The Acquisition is expected to benefit unitholders of K-REIT Asia as:

- the Acquisition is expected to be immediately yield-accretive to K-REIT Asia's distribution per unit due to the cash flows it generates;
- the Acquisition structure will enable unitholders of K-REIT Asia to receive regular income throughout the term of the development and be subject to minimal risks as the acquisition structure has ringfenced the development risks;
- the Property will have quality specifications that will enable it to achieve premium grade classification by the Property Council of Australia;
- the Property is designed to achieve the 6 Star Green Star energy rating by the Green Building Council Australia and 5 Star NABERS Energy rating, the highest environmental design and energy ratings for sustainable building practices in Australia; and
- the Acquisition provides a strategic fit with K-REIT Asia's sterling portfolio and is in line with K-REIT Asia's objective of acquiring quality commercial buildings with strong cash flows, in key cities across the Asia Pacific region.

The Acquisition will be funded progressively until its expected completion date in the third quarter of 2013. K-REIT Asia is expected to have an aggregate leverage of 39.8% after drawing on available credit facilities to fund the down payment for the Acquisition.

K-REIT Asia (Australia) Trust will co-own the Property with Mirvac Property Trust, a member of the Mirvac Group, which will be retaining the other 50% interest in the Property. The Mirvac Group is one of Australia's leading real estate companies listed on the Australian Securities Exchange managing approximately A\$8.8 billion of assets.

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## **About K-REIT Asia (<http://www.kreitasia.com>)**

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K-REIT Asia is managed by K-REIT Asia Management Limited, a wholly-owned subsidiary of Keppel Land Limited.

## **About Mirvac Group**

Mirvac Group [ASX:MGR] is a Top-50 company listed on the Australian Securities Exchange (ASX) and leading Australia integrated real estate trust with A\$8.8 billion of assets. Mirvac operates two core divisions: Investment and Development. Investment actively manages a high quality portfolio of office, retail and industrial assets, leased to leading Australian and international companies. Development delivers innovative and quality commercial and residential projects, underpinned by the strength of Mirvac's brand and established over 39 years in the Australian development and construction industry.

## **About 8 Chifley Square**

8 Chifley Square is a 30-storey premium grade office building located at the intersection of Hunter Street and Elizabeth Street in the CBD of Sydney, Australia. Currently under construction, the Property will have approximately 205,700 sf of net lettable area, 36 car park lots and 156 bicycle lots across two basement levels when completed in the third quarter of 2013.

Developed by the Mirvac Group and designed by Rogers Stirk Harbour + Partners and Lippmann Associates in association with Mirvac Design, the building features a "village" concept where tenants can lease one to three floors of contiguous office spaces which are interconnected and improve interactivity between its occupants. The building will also have a five-storey void at the street level that will offer a grand entrance and enliven the already appealing Chifley Square precinct.

**For more information, please contact:**

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*This press release is also available on [www.kreitasia.com](http://www.kreitasia.com), [www.keppelland.com.sg](http://www.keppelland.com.sg) and [www.kepcorp.com](http://www.kepcorp.com).*