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ASX release

29 JULY 2014

NON-CORE PROPERTY DIVESTMENTS

The directors of BWP Management Limited, the responsible entity for the BWP Trust ("the Trust"), today announced the divestment of four non-core properties, in four separate transactions.

The divestments, all supported by independent valuation, provide an opportunity for the Trust to re-focus its property portfolio on assets that are better positioned for rental and capital growth into the future.

The combined sale price of the properties is $41 million and includes the:

- Hemmant industrial facility, Queensland;
- Coffs Harbour Bunnings Warehouse, New South Wales;
- Ex-Bunnings Warehouse property in Sandown, Victoria; and
- Regency Park industrial facility, South Australia.

Proceeds from the divestments will be applied initially towards debt reduction, as the properties settle during this financial year. Taking into account the proceeds, and current committed capital expenditure, the Trust will have "debt headroom" of approximately $150 million to fund further property acquisitions as and when opportunities arise, and still remain within the preferred gearing range of 20 to 30 per cent.

Hemmant industrial facility

The Trust has entered into a contract to sell to Australian Prime Property Fund Industrial, on vacant possession, the industrial facility in Hemmant, Queensland. The sale price of the property is $21.275 million and settlement is expected to occur on 1 September 2014. The property was offered for sale via an expression of interest campaign to a number of selected parties who are active in the industrial sector. The sale price is marginally less than the fair value of $21.7 million at 31 December 2013, however, the investment results in a capital profit (net sale proceeds less original purchase price and capital expenditure since acquisition) of approximately $7.3 million.

The property was acquired by the Trust in 2003 as a development site for $3.0 million, on which Bunnings Group Limited ("Bunnings") developed, at a cost of $10.25 million, an industrial facility for the supply of directly imported products to Bunnings Warehouse stores in Queensland. Bunnings vacated the property on 30 April 2014, moving to a larger purpose-built facility, to meet the requirements of its rapidly expanding store network in Queensland. Consideration was given to both re-leasing the property and/or divesting it, with the sale considered to provide the better overall outcome for the Trust.

Coffs Harbour Bunnings Warehouse

The Trust has entered into a contract to sell to Bunnings, the Bunnings Warehouse in Coffs Harbour, New South Wales. The sale price of the property is $7.3 million and settlement is expected to occur on 23 June 2015, with rent payable to the Trust on the property until then.

Bunnings is developing a new Bunnings Warehouse in Coffs Harbour, which it expects to open in late 2014, at which time it will vacate the existing site. The Trust was initially approached by a local investor to acquire the property, with terms agreed as outlined above. However, in order to manage its lease tail, and because of a right of first refusal contained in the lease, Bunnings bid for the property on terms no less favourable than those agreed with the unrelated third party.

The lease term with Bunnings on the existing property expires on 15 November 2016 and the sale, at a price above the current fair value, was considered sufficiently attractive for the Trust to sell the property before Bunnings ceased paying rent.

The property was acquired by the Trust in 2001 as a development site for $1.9 million, on which Bunnings developed, at a cost of $4.5 million, a Bunnings Warehouse store. The sale price is greater than the fair value of $6.8 million at 31 December 2013, and results in a capital profit (net sales proceeds less original purchase price and capital expenditure since acquisition) of approximately $0.6 million.

The transaction is a “related party transaction” for the purposes of the Corporations Act and ASX Listing Rule 10.1, but does not require unitholder approval as the directors of BWPM are satisfied that the transaction was negotiated on an “arm’s length” basis, and its value represents less than five per cent of the equity interests of the Trust.

Sandown ex-Bunnings Warehouse site

The Trust has entered into a contract to sell to a private investor from Melbourne, on vacant possession, the ex-Bunnings Warehouse property in Sandown, Victoria. The sale price of the property is $8.6 million, with settlement expected to occur in October 2014.

The Bunnings lease expired on 30 April 2014 with Bunnings developing a new larger Bunnings Warehouse store on the same road, but closer to the Melbourne central business district. The Trust acquired the new property in September 2013. As was done with the industrial property vacated by Bunnings in Hemmant, Queensland, consideration was given to both re-leasing the property and/or divesting it, with the sale considered to provide the better overall outcome for the Trust.

The property was acquired by the Trust in 1998 for $7.8 million, and the Trust has made very minimal capital improvements to the property since acquisition. The sale price is less than the fair value of $10.0 million at 31 December 2013, however, the investment results in a capital profit (net sales proceeds less original purchase price and capital expenditure since acquisition) of approximately $0.1 million.

Regency Park industrial facility

The Trust has entered into a contract to sell to an unrelated third party, on vacant possession, the industrial facility in Regency Park, South Australia. The sale price of the property is $3.9 million with settlement expected to occur on 31 July 2014.

The property was acquired by the Trust in 2007 for $4.7 million. It was part of a portfolio of three properties acquired from Wesfarmers Limited subsidiary, J Blackwood and Son Ltd (“Blackwoods”). The property was subsequently expanded at a cost of $0.2 million. The lease with Blackwoods expired in January 2014, prior to which Blackwoods had re-located to a new larger purpose-built facility. The sale price is in line with the fair value of $3.9 million at 31 December 2013, however, the investment results in a capital loss (net sale proceeds less original purchase price and capital expenditure since acquisition) of approximately $1.45 million.

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