

BABCOCK & BROWN JAPAN PROPERTY TRUST

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ASX Release

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DEBT ARRANGEMENTS AND CAPITAL MANAGEMENT UPDATE

Babcock & Brown Japan Property Trust (ASX: BJT) today provides the following update in relation to its debt arrangements and capital management initiatives.

Debt maturity profile and structure

BJT advises that, as previously announced to the market, it has no debt maturing prior to March 2010. The loan maturing in FY2010 amounts to ¥18.6 billion, representing approximately 20% of total borrowings. This loan currently has a loan to value ratio of approximately 37%. It is a non-recourse loan and is secured solely by 10 of the 44 assets in which BJT has an interest. There is no cross-collateralization with any other assets in which BJT has an interest.

BJT's debt consists entirely of 6 separate, asset-specific loans structured in this way and borrowed in Japan primarily from Japanese financial institutions. All BJT borrowings are Yen denominated.

Foreign exchange rate hedges

While the recent significant fluctuations in the AUD/JPY exchange rate have impacted the mark to market ("MTM") value of BJT's foreign exchange hedges, BJT confirms that:

- None of BJT's debt facilities contain covenants which take into account foreign exchange hedging MTM.
- The only covenants BJT has which are impacted by the MTM of the foreign exchange hedges are included in its capital and distribution hedging contracts. These covenants are contained in one such hedging contract itself, under which BJT has an aggregate of ¥11.6 billion (A\$113.9 million) in capital and ¥6.8 billion (A\$99.7 million) in distributions hedged.
- BJT's gearing even taking into account the current hedging MTM remains well below the relevant covenant thresholds as at 28 November 2008. The hedging contract covenants primarily impacted by the MTM of BJT's foreign exchange hedges are summarised in the table below:

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Covenant	Threshold	Current position as at 28 Nov 2008
Tangible net worth	Not to fall below A\$400m	A\$994.9m
Gearing ratio	Interest bearing liabilities (including derivatives) no greater than 65% of total assets (both amounts calculated in A\$). If the 65% threshold is exceeded, BJT has 90 days to remedy and gearing must not exceed 70%.	56.6%

As previously disclosed, BJT has hedged 20.4% of its net equity capital investment in Yen assets (in line with the minimum of its stated policy range of 20% - 40%) for an average of 5 years. The MTM negative value of BJT's capital hedge contracts is estimated to be approximately A\$67.3 million as at 28 November 2008 (assuming an AUD/JPY exchange rate of A\$1.00 = ¥62.6).

However, more than offsetting the MTM negative value of BJT's capital hedge contracts is the substantial increase in the AUD-denominated net tangible asset backing ("NTA") of BJT resulting from the appreciation of the Yen, because approximately 80% of BJT's Yen-denominated net assets are unhedged.

NTA has therefore increased by approximately A\$286.6 million as at 28 November 2008 since 30 June 2008, and during this time NTA per unit (unaudited) has increased to approximately A\$1.96 per unit from A\$1.39.

As a guide to the sensitivity of the above-mentioned covenants, a further decline in the value of the AUD against the Yen below current spot rates does not significantly impact the calculation of the ratios, as the MTM negative value of the capital hedge contracts is more than offset by the increase in AUD-denominated NTA noted above. In fact, a further decline in the exchange rate from current levels actually continues to further improve compliance with the tangible net worth covenant. All other things being equal, for every 1% movement from the current AUD/JPY exchange rate, BJT's AUD-denominated NTA fluctuates by approximately 0.7%.

Finally, a change in the carrying value of BJT property interests as at the balance date also affects the ratio calculations under these covenants. For example, all other things being equal, for every 1% movement in the value of BJT's property interests, the gearing ratio would fluctuate by approximately 0.6%. Property values would have to fall by approximately 13.7% before the gearing threshold of 65% is reached. BJT anticipates that any potential decline in property valuations at 31 December 2008 will be substantially less than that which would create an issue under the above covenants.

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About Babcock & Brown Japan Property Trust

Babcock & Brown Japan Property Trust is a listed property trust with a strategy to invest into the real estate market of Japan. It currently holds interests in a portfolio comprising 44 retail, office and residential properties.

The Responsible Entity of the Trust is Babcock & Brown Japan Property Management Limited, a subsidiary of Babcock & Brown. Asset management services in Japan are generally undertaken by Babcock & Brown Co., Ltd., which is also a subsidiary of Babcock & Brown.

For further information please see our website:

<http://www.bbjapanpropertytrust.com>