

BABCOCK & BROWN JAPAN PROPERTY TRUST

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ASX Release

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BJT ANNOUNCES SALE OF A MAJOR TOKYO OFFICE ASSET FOR A\$150 MILLION - REALISES A\$81 MILLION (16 CENTS PER UNIT) IN NET CASH PROCEEDS

Babcock & Brown Japan Property Trust (ASX: BJT) (the 'Trust') today announced that it has sold its interest in the Shinjuku Sanei office property for ¥11 billion (approximately A\$150 million).

After repaying the approximately ¥4.4 billion of debt allocated to this asset under the loan agreement, and payment of sale costs and Japanese withholding tax, net proceeds available to the Trust are approximately ¥6 billion (approximately A\$81 million @ \$A=JPY73.83) or 16 cents per unit. Although financial close has already been completed, due to the terms of the loan arrangement financing this asset, proceeds will be fully available in early August 2009.

This sale price represents a 33% premium to the ¥8.26 billion price paid by BJT in 2005, however it represents an 18% discount to the most recent book value of the asset (as at 31 December 2008) of ¥13.4 billion. The increase in book value over the holding period was due to an increase in the asset's net operating income and also to a compression in market cap rates.

Mr Allan McDonald, Chairman of Babcock & Brown Japan Property Management Limited, the Responsible Entity of the Trust, said "This is an excellent first major transaction under the newly internalised structure of BJT. The realisation of approximately A\$81 million in net cash adds significant flexibility and strengthens BJT's capital position.

The attractive cash profit to unitholders is testament to the quality of the BJT portfolio and the depth of the team that manages it in Japan. Although we can never be entirely happy when assets are sold below book value, given the current market conditions for asset sales, and that there is substantial capital expenditure scheduled for this asset over the next several years, we are extremely pleased with the outcome."

As previously announced, it is intended that the distribution for the current half year ending June 30 will be approximately 10 cents per unit and is expected to be

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JAPAN PROPERTY TRUST

comprised of cash and a pro rata issue of new units to BJT unit holders. The cash component of the distribution will be dependent upon the Trust's cash position following negotiations with its hedging counterparty and any future asset sales that may arise as part of the long term management strategy of BJT's portfolio.

Mr Eric Lucas, Senior Advisor to the Board, commented "The Trust is now extremely well positioned to deal with its medium term capital management issues. We continue constructive discussions with the hedging counterparty which has the right to terminate its hedges annually in August. Currently, these hedges are approximately A\$40 million out of the money which is well covered now we have realised A\$81 million of net cash."

"Significantly, this sale also reduces the amount of debt to be refinanced in March next year, from ¥18.6 billion to ¥14.3 billion. The amount of net cash released from the sale also illustrates the low loan to value of the pool of assets to be refinanced at that time. We will continue to manage our capital structure to further reduce risk and position the Trust for opportunities to create long term value for unitholders."

TRANSACTION DETAILS:

The property interest sold was the Shinjuku Sanei Building, a 15 storey multi-tenant office building constructed in 1979 located in the Nishi Shinjuku area, Shinjuku-ward, Tokyo, which was acquired in March 2005 for ¥8.26 billion excluding acquisition costs.

BJT's interest was in a 39% co-ownership position, representing approximately 8,141 sqm. of net rentable area, together with 2 other owners, owning 41% and 20% respectively.

BJT's interest was sold to a major Japanese company listed on the first section of the Tokyo Stock Exchange.

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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 43 retail, office and residential properties.

For further information please see our website:
<http://www.bbjapanpropertytrust.com>