

asx release+

Proposed strategic acquisition of Moorabbin Airport and business park in Victoria

Date 16 August 2010

Release Immediate

The Independent Directors of Goodman Group today announced the proposed strategic acquisition of Moorabbin Airport and business park in Victoria (the “Property” or the “Site”) for \$201.5 million from Goodman Holdings¹.

Transaction overview:

- + Substantial 294 hectare airport and business park in Melbourne’s inner south east, being a Masterplan approved site from the Commonwealth Government
- + 100% occupied income producing investments (including aviation activities) and proven development land allowing for the flexible needs of existing and future customers
- + Strategic opportunity for Goodman Group to further expand its existing activities on the Property, which commenced in 1999 with Chifley Business Park
- + Purchase price of \$201.5 million supported by an independent valuation by CBRE
- + Funded via an issue of ordinary equity of \$146.5² million (225.4 million² securities at an issue price of 65.0 cps), \$35.0 million of vendor finance and \$20.0 million² cash to fund working capital
- + Long-term alignment of Goodman Group CEO reinforced via:
 - Equity escrowed for periods of 2 and 5 years
 - \$35.0 million vendor finance payable 3 years after settlement
- + Transaction is accretive to NTA and provides EPS on the issue of each new ordinary Security issued at the upper end of broker consensus³ for FY11
- + Subject to review by an independent expert, Securityholder approval and Government and regulatory approvals

¹ Goodman Holdings is a Goodman family owned entity. Goodman Holdings is the majority owner of Moorabbin Airport and business park and will procure the sale of the minority interests within the total consideration.

² Subject to minor changes in working capital to be verified prior to issue of Notice of Meeting.

³ Broker consensus is between 5.2 and 5.5 cents on a fully diluted basis, adjusting for the CIC hybrid securities and options.

Subject to an independent expert confirming the transaction is fair and reasonable to Goodman Group Securityholders, the Independent Directors of Goodman Group propose to unanimously support the transaction.

Under the proposed acquisition, the Property is to be acquired from Goodman Holdings through the 100% acquisition of the holding entities of Moorabbin Airport Corporation Pty Ltd ("MAC"). The acquisition structure allows the Group to manage and capitalise on opportunities across the entire Site.

Goodman Group Chairman, Ian Ferrier, said: "The proposed acquisition provides Goodman Group the opportunity to apply its fully integrated business model to maximise value as it conducts the next stage of development at the Property, where Goodman Group has been directly involved since 1999. The ability for Goodman Group to fund the acquisition via escrowed Securities and vendor finance reinforces the long-term alignment between the Group CEO and Goodman Group".

The proposed transaction has been subject to the following stringent governance measures:

- + Reviewed and recommended by a sub-committee of the Goodman Group Board, comprised of Independent Directors;
- + Engagement of CB Richard Ellis to conduct an independent valuation of the Property, which the parties had regard to when negotiating the proposed transaction, and
- + Appointment of Deloitte Corporate Finance to provide an independent expert's report on whether the proposal is fair and reasonable to Goodman Group Securityholders.

Furthermore, the proposed transaction will be subject to Goodman Group Securityholder approval at a Securityholder Meeting.

The Property

The Property is a strategic asset located in the established inner South Eastern Melbourne suburb of Moorabbin. It has a total land area of 294 hectares, made up of 123 hectares of prime business park space and the Moorabbin Airport.

Goodman Group has had an active interest in Chifley Business Park, which forms part of the Property, since 1999. It originally undertook the development of Chifley Business Park and subsequently sold its interest to the Goodman Australia Industrial Fund. Chifley Business Park is a 37 hectare estate located within the Property, with a current total investment value of \$106 million.

To date 50 hectares of prime industrial and retail space has been developed on the Site and this proposal offers the opportunity to conduct further development in a proven location.

Key aspects of the Property under the proposed acquisition are:

- + Total land area of 294 hectares as determined by the latest Masterplan approved in July 2010 for five years;
- + \$91.6 million of income producing investments across 50 hectares;
 - 100% occupancy;
 - weighted average capitalisation rate of 7.8%;
 - weighted average lease expiry of 20.2 years;

- + \$87.8 million of proven development land across 73 hectares with a range of Masterplan approved usage options;
 - This equates to a land rate of \$120 per square metre;
 - Terms agreed with a blue chip customer on 5 hectares of development land;
- + \$22.1 million of aviation activities across 171 hectares;
 - It is proposed that a subsidiary of Goodman Holdings will be retained by Goodman Group for the operation of the aviation component and will make payments of \$1.7 million per annum escalating at 3% per annum
 - Main airport activities relate to charter flights, flight training and aircraft maintenance;
- + A 99⁴ year leasehold interest (87 years remaining) from the Commonwealth Government to be planned and developed in accordance with the head lease over the Property and the Airports Act 1996 and associated Regulations.

Goodman Group's Chief Operating Officer, Anthony Rozic said: "The proposed acquisition of the Property is directly in line with Goodman Group's Melbourne business strategy to own, develop and manage business space in prime locations. The Site is currently occupied by major customers including Coca Cola, Visy, CASA, Oxford Aviation and DFO. The proposed acquisition provides immediate investment income and a proven investment in the land constrained market of inner south east Melbourne which would not be possible to replicate. Further, we look forward to working with all levels of Government and, recognise the importance of Moorabbin Airport as a valuable asset in the economic and transport infrastructure of Victoria. We are also committed to working closely with the local community to ensure that all of the activities contribute to job creation and economic activity in the area".

The Independent Directors, in their assessment of the acquisition, have determined that the Property is of strategic importance and consistent with the Group's strategy in this region.

Airport Operations and Management Agreement

Goodman Group is committed to Moorabbin Airport and all of its key objectives under the Masterplan. This includes the sustainable and responsible protection of airspace, safety zone and airfield requirements and ensuring that it remains a vital piece of aviation infrastructure, in line with the Government's stated objectives.

In order to ensure a seamless transition of the Airport, it is proposed that Goodman Holdings, the Operator of the Moorabbin Airport since 1998, is retained under a separate Airport Management Agreement ("AMA"). Air Services Australia ("ASA") and the Civil Aviation Safety Authority ("CASA") are the government agencies responsible for air traffic management and safety roles.

The AMA is subject to regulatory approvals and it is proposed that Goodman Holdings, as an experienced and committed operator of the Airport, will assume all responsibilities for the aviation activities relating to Moorabbin Airport. Key terms of the AMA include:

- + Appointment of Goodman Holdings as Operator for a term of 10 years;

⁴ The head lease has an initial term of 50 years (38 years remaining) with an extension for a further 49 years at the option of the lessee.

- + Goodman Holdings to make payments of \$1.7 million per annum to Goodman Group in exchange for entitlement to all aviation revenues and responsible for all aviation expenses;
- + Goodman Group to hold step in rights in relation to the Operation of the Airport, and
- + Goodman Holdings to indemnify Goodman Group against any claims related to the aviation activities.

Funding and financial impact

The proposed acquisition is to be funded via:

- + \$146.5 million² through the issue of 225.4 million² Goodman Group securities at an issue price of 65.0 cents. One third of Securities are to be escrowed for 2 years and two thirds are to be escrowed for 5 years.
- + \$35.0 million vendor finance payable 3 years after settlement, paying a coupon of 6% per annum; and
- + \$20.0 million² cash to fund working capital of the entities to be acquired.

The impact of the proposed acquisition on Goodman Group is summarised as follows:

- + Provides EPS on the issue of each new ordinary Security issued at the upper end of broker consensus³ for FY11;
- + Accretive to NTA, increasing 31 December 2009 pro forma NTA by 0.3 cents per security; and
- + No material impact to gearing or liquidity.

The Group will announce its annual results on 19 August 2010. As at the date of this announcement, the Board reaffirms its previous guidance of adjusted fully diluted EPS of 5.2 cents.

Conditions

A Letter of Intent has been executed by Goodman Group and Goodman Holdings setting out the commercial terms. Such terms will become binding when legally binding full form contracts are executed. Under the Letter of Intent both parties will work together to document and complete the transaction subject to the following conditions:

- + Deloitte concluding that the acquisition is fair and reasonable to Goodman Group Securityholders;
- + Goodman Group Securityholder approval at a Securityholder meeting;
- + No material adverse change occurring in MAC and its aviation operations; and
- + Receipt of relevant Government and regulatory approvals.

Final timing of the acquisition is subject to completion of legal documentation, regulatory and tax approvals and approval by Goodman Group Securityholders.

Full details regarding the acquisition, Independent Expert's Report, timetable and details of the Securityholder Meeting will be outlined in the Notice of Meeting. UBS has been retained as financial advisor and Allens Arthur Robinson and Minter Ellison as legal advisors to Goodman

Group. Goodman Holdings has appointed its own separate advisors and each party is responsible for its own costs.

Board renewal

The Board has been notified by Patrick Goodman that he intends to resign at this year's Annual General Meeting (AGM) in November. The Board would like to express its thanks to Patrick for his commitment and contribution to Goodman Group over the past 12 years.

Patrick Goodman said "Goodman Holdings remains committed to the business and this is demonstrated through the proposed Moorabbin asset for equity swap. However, it is now the right time to ensure that the Board is reinvigorated during a period of positive strategic changes. After 12 years as a Director of Goodman Group, I will leave being proud of my association with the Group and in the assurance that new talent will help to continue the development of the business".

The Board has been reviewing its renewal process and intends to appoint up to two new Independent Directors.

--ENDS--

For further information, please contact

Investors:

Tim Church
UBS AG

+61 2 9324 2688

Media:

Mathew Werner
Goodman Group Corporate Communications
Manager

+61 2 9230 7159

Jim Kelly
FD Third Person
+ 61 2 8298 6100

For more information visit www.goodman.com/moorabbinbusinesspark

About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe and the United Kingdom. Goodman Group, comprised of the stapled entities Goodman Limited and Goodman Industrial Trust, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist fund managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant fund management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

A large green rectangular box with a fine grid pattern, containing white text. The text reads: "Proposed strategic acquisition of Moorabbin Airport and business park in Victoria".

Proposed
strategic
acquisition of
Moorabbin
Airport and
business park
in Victoria

16 August 2010

Important notice and disclaimer



- + This document has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071) and Goodman Funds Management Limited (ABN 48 067 796 641) (AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839)). It is information in a summary form and does not purport to be complete. It is to be read in conjunction with Goodman Group's other announcements released to the ASX (available at www.asx.com.au). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate.
- + This presentation is not an offer or invitation for subscription or purchase of securities or other financial products. This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended (Securities Act) (US Person)). Securities may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration. The stapled securities of Goodman Group have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States.
- + This announcement contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Executive summary



- + Goodman Group is proposing to acquire a substantial 294 hectare airport and business park in Melbourne's inner south-east from Goodman Holdings¹ for \$201.5 million
 - Strategic to Goodman Group's Melbourne operations
 - Comprises \$91.6 million income-producing investments, \$87.8 million of development land and \$22.1 million of aviation activities
- + Transaction is accretive to NTA and provides EPS on the issue of each new ordinary Security at the upper end of broker consensus² for FY11. Funded via
 - \$146.5³ million issue of ordinary equity (225.4 million³ securities at issue price of 65.0 cps), one third of equity escrowed for 2 years and two thirds to be escrowed for 5 years
 - \$35.0 million of vendor finance, payable 3 years after settlement
 - \$20.0³ million to fund working capital
- + Increases alignment of Greg Goodman (Group CEO) with Goodman Group
- + Transaction subject to the following stringent governance measures
 - Reviewed and recommended by a sub-committee of the Goodman Group Board, comprised of Independent Directors
 - Purchase price supported by an independent valuation by CB Richard Ellis
 - Appointment of Deloitte Corporate Finance to provide an independent expert's report
 - Subject to Goodman Group Securityholder approval
- + The Independent Directors of Goodman Group propose to unanimously support the transaction.

¹ Goodman Holdings is a Goodman family owned entity. Goodman Holdings is the majority owner of Moorabbin Airport and business park & will procure the sale of the minority interests within the total consideration.

² Broker consensus is between 5.2 and 5.5 cents on a fully diluted basis, adjusting for the CIC hybrid securities and options.

³ Subject to minor movements in working capital to be verified prior to issue of Notice of Meeting.

Proposed terms



ACQUISITION TERMS

Purchase Price	\$201.5 million for the acquisition of the entire site via acquisition of the holding entities
Equity Issue Price	\$146.5 ¹ million of equity consideration issued at 65.0 cents Ordinary equity consistent with all ordinary Goodman Group stapled Securityholders
Equity Escrow Period	One third (75.1 million ¹) securities escrowed for two years Two thirds (150.3 million ¹) securities escrowed for five years
Vendor Finance	\$35.0 million of vendor finance payable three years after settlement. 6% pa coupon payable semi-annually during the deferral term.
Working Capital Adjustment	Estimated \$20.0 million ¹ of working capital adjustments to be funded by Goodman Group
Conditions Precedent	Subject to review by an independent expert, Securityholder approval and Government and regulatory approvals

AIRPORT MANAGEMENT AGREEMENT TERMS

Airport Management Agreement	Goodman Holdings is to be retained as Airport Operator to manage the aviation components including airport operations and associated aviation leases.
Term	10 year term, breakable at Goodman Group's election at the end of years three and six.
Fee	Airport Operator to make payments to Goodman Group of \$1.7m pa with 3% annual fixed increases
Responsibilities	Airport Operator responsible for all aviation revenues and aviation expenses.
Indemnity	Airport Operator to indemnify Goodman Group against any claims related to the aviation activities
Step-in-Rights	Goodman Group to hold step in rights in relation to the Operation of the Airport
Conditions Precedent	Subject to Government approval

¹ Subject to minor movements in working capital to be verified prior to issue of Notice of Meeting.

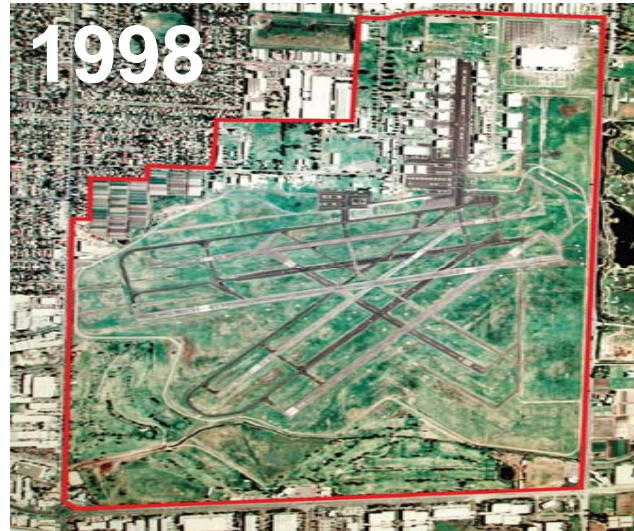
Goodman Melbourne strategy

- + Goodman's strategy in Melbourne is to focus on the Western market (larger pre-commit warehouses) and the Inner South East market (small to medium sized users in business park environment) and the infill location of Port Melbourne.



The Property

- + Located 21 kilometres from the Melbourne CBD
- + Substantial 294 hectare business park and airport in Melbourne's inner south-east
- + 123 hectares of prime business park space plus the Moorabbin Airport
- + 50 hectares of industrial and retail land has been developed over the past 10 years
- + 73 hectares of land is available for future development opportunities in accordance with the Masterplan
- + Terms agreed for a pre-committed development with a blue chip customer over 5 hectares of land
- + Chifley Business Park, owned by GAIF, has been developed over the last 10 years on 37 hectares with a current total investment value of \$106 million



<p>+ June 1998 Site acquired by Goodman Holdings</p>	<p>+ November 1999 Goodman Group signs development agreement</p>	<p>+ October 2000 Completion of new CASA facility</p>	<p>+ October 2000 Coca Cola commences occupation</p>
<p>+ 2003 DFO completes extension</p>	<p>+ September 2003 Visy commences occupation</p>	<p>+ May 2004 Kingston Central Plaza opens</p>	<p>+ April 2005 Remington commences occupation</p>
<p>+ August 2005 Simplot commences occupation</p>	<p>+ 2007 DFO completes further extension</p>	<p>+ July 2008 Latest stage at Chifley Business Park completes</p>	<p>+ July 2010 New five year Masterplan approved</p>

Masterplan

- + An important and valuable asset in the economic and transport infrastructure of Victoria.
- + 99 year¹ leasehold interest (87 years remaining) from the Commonwealth Government.
- + Latest Masterplan approved in July 2010 for next five years.
- + Commitment to work closely with all levels of Government and the local community to ensure that all of the activities contribute to job creation and economic activity in the area.
- + Goodman Holdings retained as Operator of the airport for continuity and experience.
- + Air Services Australia and the Civil Aviation Safety Authority perform air traffic management and safety roles.
- + Approved Masterplan sets out clear planning guidelines to the owner, presenting a range of flexible development opportunities.



¹The head lease has an initial term of 50 years (38 years remaining) with an extension for a further 49 years at the option of the leasee.

Valuation, funding and financial impact

- + Purchase price of \$201.5 million, in line with independent valuation
- + Funded via issue of \$146.5 million of ordinary equity, \$35.0 million of vendor finance and \$20.0 million of working capital

Financial impact:

- + Transaction provides EPS on the issue of each new ordinary security at the upper end of broker consensus¹ for FY11
- + Accretive to NTA, increasing 31 December 2009 pro forma NTA by 0.3 cents per security
- + No material impact to gearing or liquidity
- + The Board reaffirms its previous guidance of adjusted fully diluted EPS of 5.2 cents² for FY10

Sources and applications

APPLICATIONS	\$m
Moorabbin Airport and business park	201.5
Stamp duty	11.1
Other acquisition costs	1.9
TOTAL APPLICATIONS	214.5
SOURCES	\$m
Equity consideration	146.5
Vendor finance	35.0
Cash	33.0
- Working capital (20.0)	
- Stamp duty (11.1)	
- Acquisition costs (1.9)	
TOTAL SOURCES	214.5

Independent valuation summary

COMPONENT	VALUATION \$m	WACR ³ (%)	LAND AREA (ha)	LAND VALUE RATE per sqm	COMMENTS
Investment assets	91.6	7.8%	50	183	Predominantly ground leases. Occupancy 100%, WALE 20.2yrs
Development land	87.8	n/a	73	120	Various commercial development land parcels
Aviation leases & operations	22.1	7.7%	171	13	10 year airport management agreement
TOTAL	201.5		294		

¹ Broker consensus is between 5.2 and 5.5 cents on a fully diluted basis, adjusting for the CIC hybrid securities and options.

² Fully diluted EPS includes the full impact of the CIC hybrid securities and the Macquarie and CIC options

³ Weighted average capitalisation rate

Governance and approval measures



- + Proposed transaction has been reviewed and recommended by a sub-committee of the Goodman Group Board, comprised of Independent Directors.
- + Purchase price of \$201.5 million supported by independent valuation by CBRE
- + Appointment of Deloitte Corporate Finance to provide an independent expert's report on whether the proposal is fair and reasonable to Goodman Group Securityholders.
- + The proposed transaction will be subject to Goodman Group Securityholder approval at a Securityholder Meeting.

thank+you

August 2010