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A Member of the Macquarie Group of Companies

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## **ASX RELEASE**



### **Macquarie Office Trust**

#### **HALF YEAR RESULTS TO 31 DECEMBER 2009**

Macquarie Office Trust (ASX:MOF) today announced its results for the six months to 31 December 2009.

#### **Key results:**

- Net property income of \$158.4 million
- Core earnings of \$77.5 million, 1.63 cents per unit
- Statutory reporting loss of \$30.9 million, reflecting unrealised devaluations
- Distribution of 1.0 cent per unit
- Net tangible assets at \$0.44 per unit
- Balance sheet gearing at 37.9%<sup>1</sup>
- Portfolio<sup>2</sup> occupancy<sup>3</sup> at 92% with weighted average lease term of 4.7 years
- Leases agreed over 72,578 sqm, or 6% of the portfolio
- Like-for-like property income up 1% on prior corresponding period

Macquarie Office Trust's Chief Executive Officer, Mr Adrian Taylor said: "The operating environment is showing early signs of improvement as global equity and credit markets stabilise. However, improvements in office market demand and rents are expected to lag the general economic recovery."

#### **Sale of real estate management platform**

On 12 February, Macquarie Group Limited (Macquarie) entered into an agreement to sell the majority of its Australian real estate management platform to Charter Hall Group (Charter Hall).

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<sup>1</sup> Net of cash

<sup>2</sup> All portfolio statistics exclude Quintana Campus, Irvine California and include Frankfurt property sold post balance date.

<sup>3</sup> All occupancy and leasing statistics include leases under letter of intent

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None of the entities referred to in this document is an authorised deposit-taking institution for the purposes of the Banking Act (Commonwealth of Australia) 1959, and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 ("MBL"). MBL provides a limited AUD17.5 million guarantee to the Australian Securities and Investments Commission in respect of Corporations Act obligations of Macquarie Office Management Limited as a responsible entity of managed investment schemes. MBL does not otherwise guarantee or provide assurance in respect of these entities.

The transaction includes the sale of 100% of the shares in Macquarie Office Management Limited (MOML) and 7.5% of units in Macquarie Office Trust. Macquarie will retain the remainder of its units in the Trust for a 12 month period, for which Charter Hall has first right of refusal over.

Adrian Taylor and the Trust's leadership team have committed to transfer to Charter Hall and will continue in their roles. The vast majority of the Trust's management team (who are currently employees of Macquarie) are also expected to transfer to Charter Hall in March 2010.

### **Capital management achievements**

During the six months to 31 December 2009, the Trust continued its strong focus on capital management.

In September, the Trust refinanced its \$570 million commercial mortgage backed securities (CMBS) Series 1 facility using excess capacity under the syndicated debt facility and proceeds from recent asset sales. In addition, the US\$82.5 million of deferred sale proceeds from Wachovia Financial Center, Miami was used to reduce the balance outstanding under the Trust's syndicate debt facility.

Following the CMBS Series 1 refinancing, the Trust has only asset-level debt maturing until financial year 2012.

### **Asset sales**

Since December 2008, more than \$522 million of asset sales have been completed, allowing the Trust to repay debt, strengthen its balance sheet and improve liquidity. As at 31 December 2009, the Trust had \$215 million of cash and deposits.

In February 2010, the Trust successfully completed the sale of its Frankfurt property for €39.5 million (A\$61.7 million) reflecting a cap rate of 6.5%. The sale delivered net proceeds of approximately €10 million (A\$15 million) after repayment of asset level debt.

The Trust will continue to pursue an orderly exit of its European and Japanese assets, with the Milan property currently in the final stages of a sales process.

### **Leasing and valuation update**

Leasing activity was healthy during the six months to 31 December 2009, with like-for-like income up 1% on the prior corresponding period. In over 50 leasing transactions, more than 72,578 sqm, or 6% of the portfolio, was leased.

As at 31 December 2009, portfolio occupancy was 92% with an average lease expiry of 4.7 years. Rent reviews were completed over 29% of the portfolio, resulting in an average 4% increase on prior rents.

Over 24,000 sqm of space was leased in the Australian portfolio, achieving tenant retention of 81% and average rental growth of 16%, with occupancy maintained at 97%.

In the United States 502,390 sqft was leased during the period, resulting in strong tenant retention of 72% across the portfolio. As at 31 December 2009, US portfolio occupancy was at 89.2% with a weighted average lease expiry of 5.2 years.

Asset revaluations as at 31 December 2009 resulted in the value of the Trust's portfolio decreasing 3.75% to \$4.19 billion. This movement partially reflects a softening of capitalisation rates of 24 basis points to 7.76% over the past six months.

With evidence of prime asset valuations stabilising in Australia, and declines in the US slowing, the Trust does not expect to see further material valuation declines.

## Outlook

In line with prior guidance, financial year 2010 core earnings are expected to be lower than the annualised first half core earnings, reflecting the full year effect of slower leasing conditions, increasing Australian interest rates and a stronger Australian dollar, and also the full year effect of the capital management initiatives implemented during the year.

Chief Executive Officer of Macquarie Office Trust, Mr Adrian Taylor said: "The Trust will continue to reinvest in its existing assets so that as market fundamentals improve, the portfolio will be well positioned to benefit from a recovery.

"Specifically, we see significant opportunity to recapture value through the cycle by reinvesting into our high quality US portfolio. As such, we will not look to sell assets at the low point in the cycle, but will instead invest in our US portfolio to maintain and enhance occupancy and future cash flow with the objective of recovering value as markets start to improve.

"We will continue to pursue an orderly exit of the smaller portfolios in Europe and Japan, in order to reduce leverage, simplify the portfolio composition and enhance liquidity over the medium-term," said Mr Taylor.

Key Trust Data	
	Half year ended 31 December 2009
<b>Operational</b>	
No. of properties	39
Average capitalisation rate	7.8%
Occupancy	92%
Like-for-like NOI growth	1%
Weighted average lease expiry	4.7 years
<b>Financial</b>	
Net property income	\$158.4 m
Core earnings	\$77.5 m
Core earnings per unit	1.63 cents
Distributions per unit	1.00 cents
	As at 31 December 2009
Total assets (Look-through)	\$4,673 m
Cash and deposits (Look-through)	\$215 m
Total borrowings (Look-through)	\$2,373 m
Trust gearing (Net Debt: Total Assets)	37.9%
Net Tangible Assets per unit (including deferred tax liabilities)	\$0.44
Units on issue	4,753 m

**Macquarie Office Management Limited**

For more information on recent announcements of Macquarie Office Trust go to [www.macquarie.com.au/mof](http://www.macquarie.com.au/mof)

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