

LEND LEASE STRATEGY DAY

HELD ON
WEDNESDAY 13 MAY, 2009

AT THE OBSERVATORY HOTEL, SYDNEY

PANEL Q&A

ROD LEAVER / DAVID HUTTON / ROD FEHRING

QUESTION: What yield that you expect to get on completion and what yield you need to actually make a profit?

MR DAVID HUTTON: Yes, I'm happy to make some comments on that. Rodney may want to add some additional ones. Rod touched on the lease thing. We've done 129 deals now. I think as of today we've got 44 remaining. The centre opens in 193 days. Construction wise, given that the construction market has softened in Singapore, we are expecting a saving in construction costs and in terms of programme our base case originally had the centre opening in February and we intend to open it on 23 November so we've got the benefit of a couple of months of additional rental income coming into the asset as well.

In respect of yields on the centre, based on the stabilised income which is really the second year income, we're predicting the asset will return just under 6 per cent on cost. When we looked at the centre initially, or when we originally did the commercial assessment of the asset yields in Singapore were sub five, we were never that aggressive, we always thought the Somerset asset, or we had budgeted the Somerset asset to be close to two five to 5¼. In the current market the reality of that is it's probably closer to 5½ and some would argue it could move out to 5.75 but on the current values we're seeing in the market, we have recently had our Parkway asset valued, it's currently at 5.8. Obviously it's a non-Orchard Road asset so it is our view that we've got sufficient headroom in that asset in respect of the yield on cost to still get a good result albeit not quite as strong a result as perhaps was anticipated.

QUESTION (John Freedman, UBS): So, David, am I correct in saying, not putting words in your mouth, but you are saying there is at least a 25 basis point profit there for the moment? Is that a fair way of looking at it?

MR DAVID HUTTON: That is probably a fair way of looking at it. Obviously none of us can predict where yields go but that's the – if the yields went up to close to 5.75, as I said, the yield on cost to the asset is just under 6 per cent so your summary is correct on that basis.

QUESTION (John Freedman, UBS): Okay. And would you be looking to sell your 25 per cent interest then immediately or how would you – you wouldn't recognise a profit that year then, would it just stay on the balance sheet like a [Bluewater] almost until that happens?

MR DAVID HUTTON: I might let Steve just talk about it from a corporate perspective on flexibility of when he would see it being sold. Steve?

MR STEVE McCANN: Yes, I think the simple answer to that, John, is that it sits in the category of all of our development assets. It's available for sale at the right time and it's unlikely that that will be shortly after completion given where the market is so we will hold onto our interest in that asset until we can realise a better development profit than what we've just been talking about. But it is ultimately available for sale, we won't be realising – it will be carried on our books at cost, sorry at market valuation initially, and we will revalue that on a regular basis.

QUESTION (John Freedman, UBS): Okay. Sorry about the detail. I've just got \$20 million sitting there in my estimates for it.

MR DAVID HUTTON: Just in rental terms on the asset, if I could just add, as you're probably aware we're expecting the stabilised income to be around \$61 million.

QUESTION (Simon Wheatley, Goldman Sachs/JBWere): A couple of questions on Delfin. We've seen with Mirvac and Stockland an increase in volume but erosion in margin, is that the sort of thing that you're seeing, and I also note you were talking 220 to 240 lots a month? How does that compare with six or 12 months ago?

MR DAVID HUTTON: I might just give a brief answer to that and David Keir is also in the audience, he might like to add a comment. Just in terms of sales, in March '09 the Delfin business did 274 sales. That was the highest monthly sales for around 13 months. We will do for the year around 3,000 residential settlements for the financial year ending '09.

In terms of margins, Delfin hasn't discounted to the extent a lot of the other developers have. We very much focused on the long term view of the projects and ensuring we don't erode the value. A big part of Delfin's clientele are repeat purchasers where they upgrade their homes in the communities and creating that goodwill where you don't see by discounting new homes you effectively erode the equity in their existing home which can create a lot of damage to the brand and a lot of damage to the long term trading potential of the project.

So whilst we have introduced a number of supplements such as landscaping and other supplementary packages, we have deliberately not aggressively

discounted. David, do you just want to add a couple of comments to that?

MR DAVID KEIR: Thanks, David. The only thing I'd probably add as David mentioned earlier, the sort of trading on a number of new projects which will commence this year so we've commenced three projects recently and there's a number of smaller ones that are commencing also this year so our sales will be underpinned as projects come off so as some of our projects mature in Victoria, new projects coming through in Adelaide and also in Victoria and the ACT will keep those numbers at those sort of levels. We report net sales which are somewhat different to some of our other competitors who report gross sales so our numbers that you will see are always net of any cancellations.

MR STEVE McCANN: I'd just like to wrap up by thanking you for your attendance and forbearance through the day with a day of a lot of activity and I'll just touch on one of the slides that Tony Lombardo put up earlier and reiterate what we see as some of the key Lend Lease competitive advantages.

As I've said, we see our value proposition being that we can identify and extract more value in a piece of real estate than our competition. That really comes down to our end to end property solutions approach. You've heard a lot about the relevance of that across all of our businesses today.

It's also our unique asset creation capability which is our core competency and really I think in a depressed market in which we find ourselves it's very, very difficult to identify and emphasise a clear growth strategy. But the reality is, the option for most property companies today is pretty simple, they either survive or they consolidate.

It's my way of thinking, that's going to require continuous equity raising, continuous refinancing and it doesn't really sound to me like a growth strategy. It's simply a matter of recapitalising then waiting again for cap rates to start compressing again.

What we do is actually add value to property, that's our core competence and it differentiates us from the rest of the market. We have a very strong balance sheet and we have very clear growth targets and we've talked about some of those today.

We also are flexible, we're able to move and remix our business at different points in the cycle and you've already seen evidence of that and we have a global and local property expertise that's been built up over 50 years.

And finally, we're a leader in sustainable property solutions and we see that as a genuine growth opportunity and our intention and focus is on commercialising that opportunity.

So in closing, I would just like to echo some of Murray's words earlier, our industry is an industry that comes with inevitable risk. We believe that across the sectors and markets in which we operate that we're pretty good in general in managing and mitigating those risks. One of those risks that we're very passionate about is safety and we will get better and better at delivering our projects safely. All of our management team is strongly focused on this and it's simply not a negotiable part of our culture.

So in closing, thanks again for attending and I hope you've got a lot out of today.

END OF TRANSCRIPT