Investa Property Group

Acquisition of CPG Australia

Sydney – 22 December 2004

Transaction Overview

Transaction Overview

- Investa Property Group ("Investa") has agreed to acquire CPG Australia Pty Ltd (CPG) and related companies
- 100% acquisition price of $250m plus debt of $325m ($575m assets) plus an earn out with a present value of up to $60m
  - Earn out is linked to out-performance above forecasts contractually defined over the next three years and is paid at the end of that time
- The acquisition will occur in two tranches:
  - 40% interest acquired in Dec 2004 and funded with $60m issue of IPG scrip to CPG vendors at $2.06 and $40m cash
  - Remaining 60% to be acquired prior to 1 August 2005 subject to conditions being achieved
- Assumed debt of $325m to be repaid and refinanced with funding from IPG Finance once CPG is 100% owned
- The first tranche of the acquisition will be accounted for as an equity investment, with consolidation expected at 100% ownership
- Acquisition is eps neutral 2005 (16.50cps) and accretive 2006

Transaction Overview

- The acquisition of CPG delivers upon Investa's strategy of growing corporate earnings – 20% contribution FY06
- Significant acquisition that complements Investa's existing residential development business
  - Comprises approximately 4,400 (under control) high quality lots, primarily in NSW
  - Increases lots under control from 9,100 to approximately 13,500
  - Contract housing business delivers a complete residential product (currently 2,500 dwellings per annum)
  - Well known brands Clarendon, Domaine, Bellevale and Greenway
- Contract housing complements existing Investa residential business and provides new income streams
- Development inventory is forecast to contribute significant profits in 2006 to 2009 as the land bank is realised
- Peter Campbell to join IPL Board and other key executives retained

Valuation

- Contract housing business valued on a multiple of Future Maintainable Profits (FMP)
- Land bank valued on a DCF basis
  - 96% of lots are in NSW
  - Average price per undeveloped lot $89,750

Component	**Multiple / Discount Rate**	**NPV (m)**
Contract Housing	6.67x	$140
Estates & Development	20%	$421
Display Homes	Directors' Valuation	$44
G&A Costs		($30)
Total		**$575**

CPG Australia - Overview

Business Overview

- CPG commenced operations in 1978 founded by Peter Campbell
- CPG operations focus on two key business areas
  - Property development, comprising:
    - CPG Developments which develops the Group's medium density and special projects
    - CPG Estates which develops the Group's greenfield projects, predominantly in Western Sydney, the Central Coast and Hunter Region
  - Contract housing:
    - Incorporates well known Australian brands such as Clarendon Homes, Bellevale Homes, Domaine Homes and Greenway Homes
    - Majority of homes built by the CPG contract housing business are constructed on customers own land
    - The contract housing business also provides the built form for the majority of CPG's development activities
- Complementary businesses
  - Almost all lots produced have a house constructed on them
  - Distinct advantage over "pure" land developers, as CPG can provide built form in substantial quantities to its estates which meets the desire of the marketplace
  - Allows us to manage density, planning and marketing issues in a more cohesive way than our competitors

Defining Characteristics

- CPG Australia is amongst Australia's largest developers
  - Controls (via outright ownership, joint ventures and option contracts) a land bank of approximately 4,400 lots, predominantly located in greater Sydney
  - Portfolio comprises twenty projects at various stages of maturity located in NSW, Queensland and Victoria
- Majority of sites are zoned with short delivery timetables
- Innovative site planning, "built form" and housing design skills resulting in better use of land
- Long standing relationships with land owners and suppliers from both the public and private sector
- Strong experienced management team
  - Stephen Murray
  - Kevin Whitehead
  - John Sidoti
  - Robert Grant
  - Roger Douglas

Each with in excess of 20 years experience

The Portfolio

Summary of total number of lots owned or under control

Property	State	Ownership Interest	No. of lots	Estimated Completion Date
CPG Estates				
Alex Ave, Schofields	NSW	50/50 JV	58	2009
Aspley Keep	QLD	50/50 JV	99	2006
Beecroft	NSW	Owned	17	2005
Blaxland	NSW	Owned	52	2006
Cooranbong (Lake Macquarie)	NSW	Owned	141	2006
Elderslie (Camden)	NSW	Owned	245	2008
Georges Fair (Moorebank)	NSW	50/50 JV	1,000	2011
Glenfield (Campbelltown)	NSW	Owned	67	2006
Wadalba (Pacific H'way)	NSW	Owned	114	2006
Thornton (Maitland)	NSW	Option	364	2009
Sinnamon Park	QLD	Owned	20	2005
Somerset Park (Maitland)	NSW	Owned	392	2009
Kellyville	NSW	Owned	292	2008
Other			409	2006
Total			**3,270**	
CPG Developments				
Baybrook Little Bay	NSW	50/50 JV	66	2006
Elanora Heights	NSW	33% JV Option	92	2010
Kooindah Water Golf Resort	NSW	70/30 JV	336	2007
Newthorpe Eastwood	NSW	50/50 JV	250	2008
Rushcutters Bay	NSW	Owned	218	2010
Shearwater Warriewood	NSW	Owned	180	2008
Total			**1,142**	
Total CPG Australia Portfolio			**4,412**	

Kooindah Golf Resort

Georges Fair, Moorebank

Rushcutter’s Bay

Elderslie, Camden


Warriewood

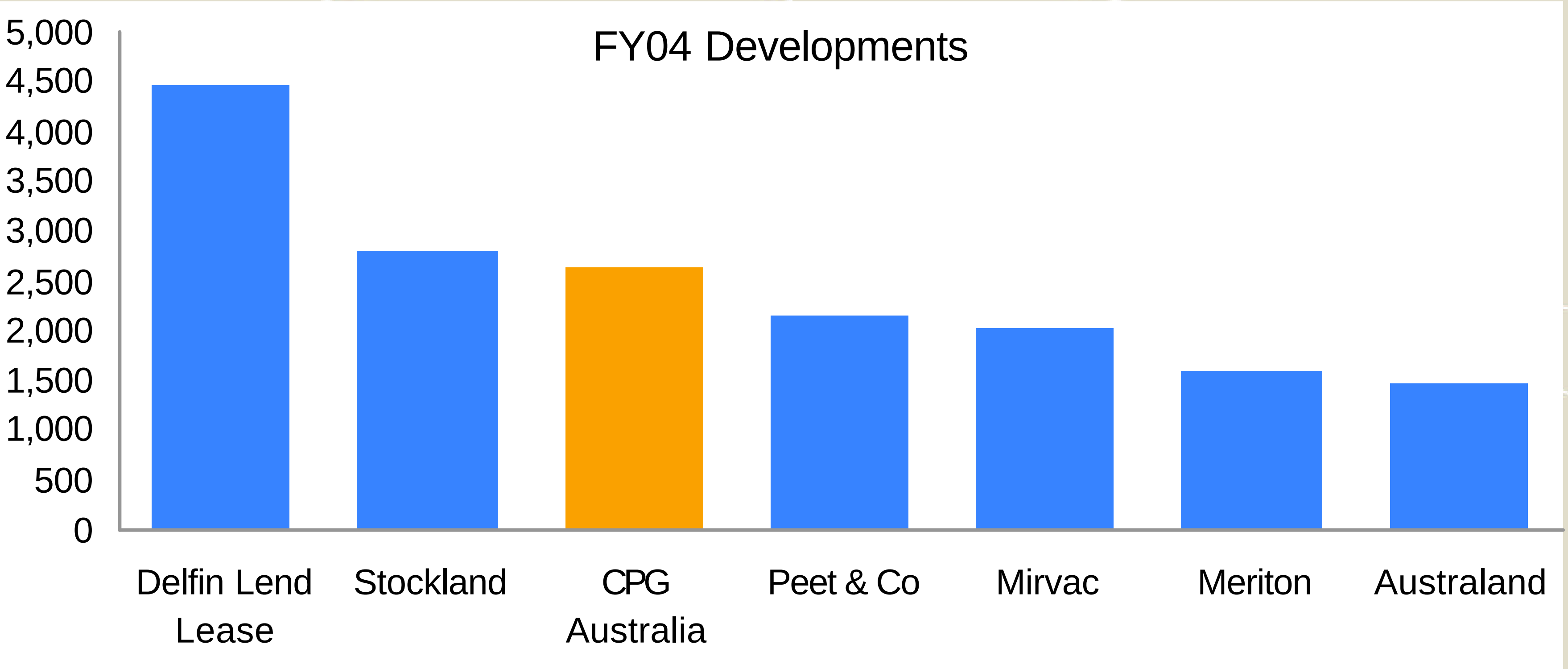

Beecroft

Contract Housing

- 3rd largest house builder in Australia, No 1 in NSW
  - Currently 1,200 houses under construction (2,500 per annum) with capacity to construct more than 3,000 per annum
  - Over 60% sales from NSW, with the remainder evenly balanced between Victoria and Queensland
- Strong brand recognition delivers quality product at a value for money price addressing specific market segments
- High volume of repeat business
- Industry dominance allows superior buying power providing a distinct competitive advantage
- Loyal sub-contractor base

Australia wide developed lots

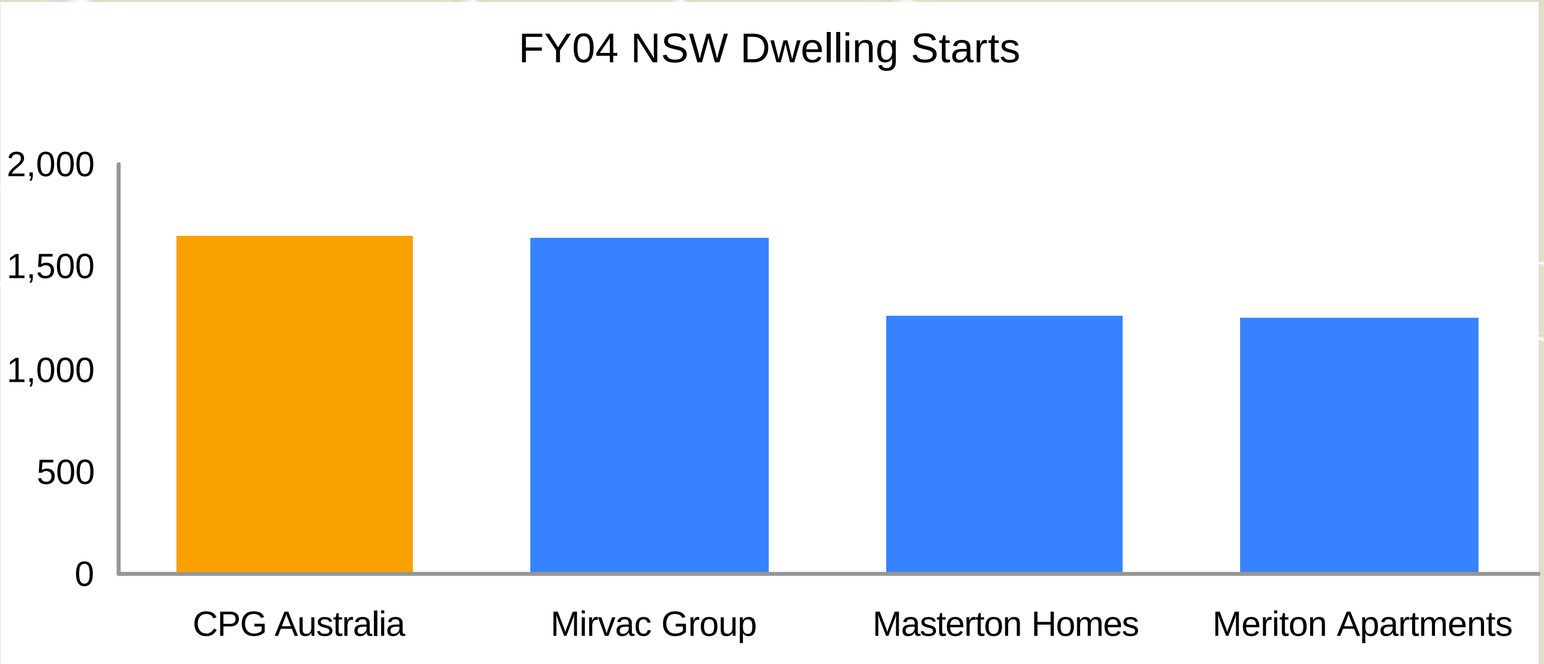
- The following chart demonstrates CPG's ranking as the third largest property developer in Australia 03/04 pre IPG acquisition



Source: Housing Industry Association Report 03/04

NSW Dwelling Starts

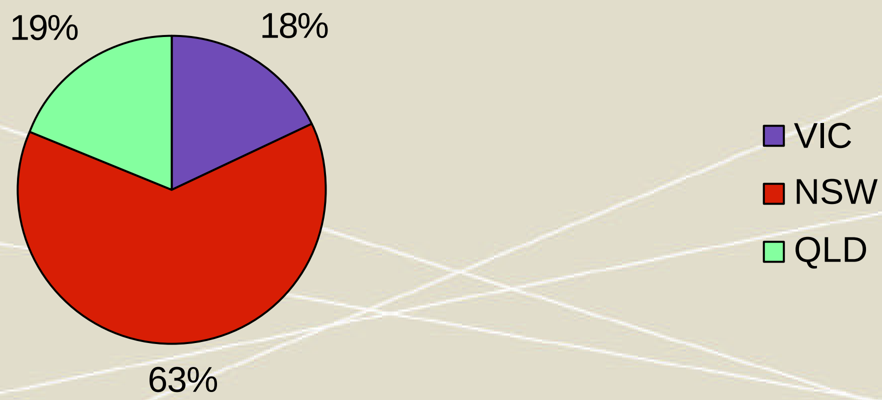
- CPG Australia – NSW's largest house builder 03/04



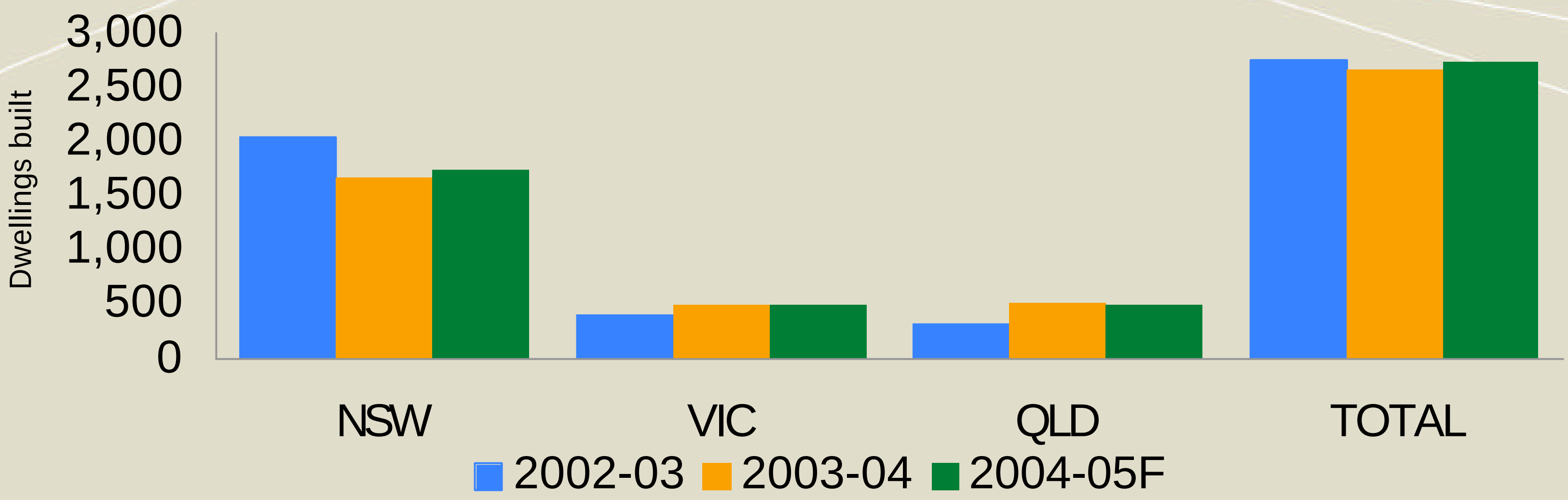
Source: Housing Industry Association Report 03/04

Sales Profile

Contract housing – Geographic Spread



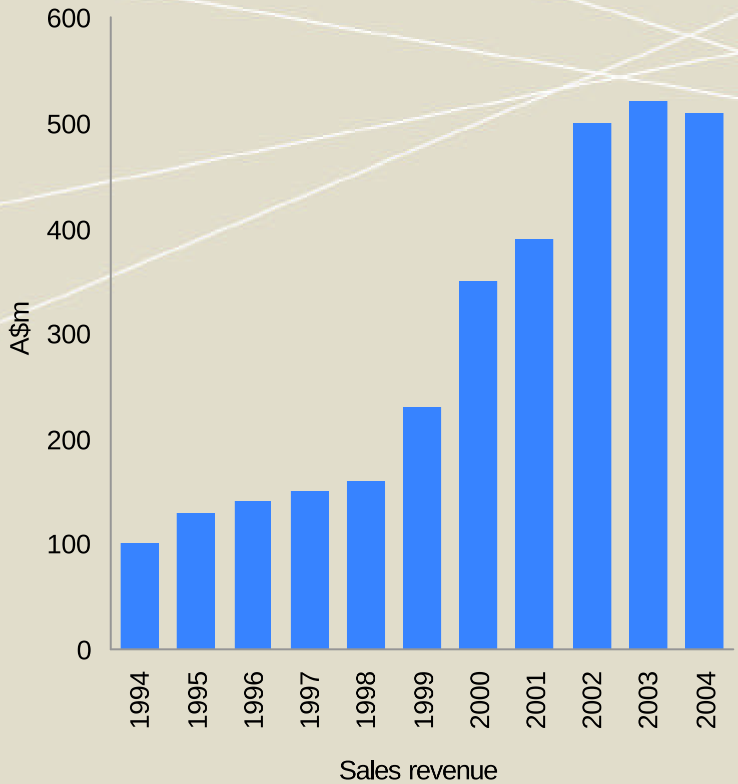
Sales Achieved by the CPG housing divisions by state over the past 2 years plus 2005 forecast



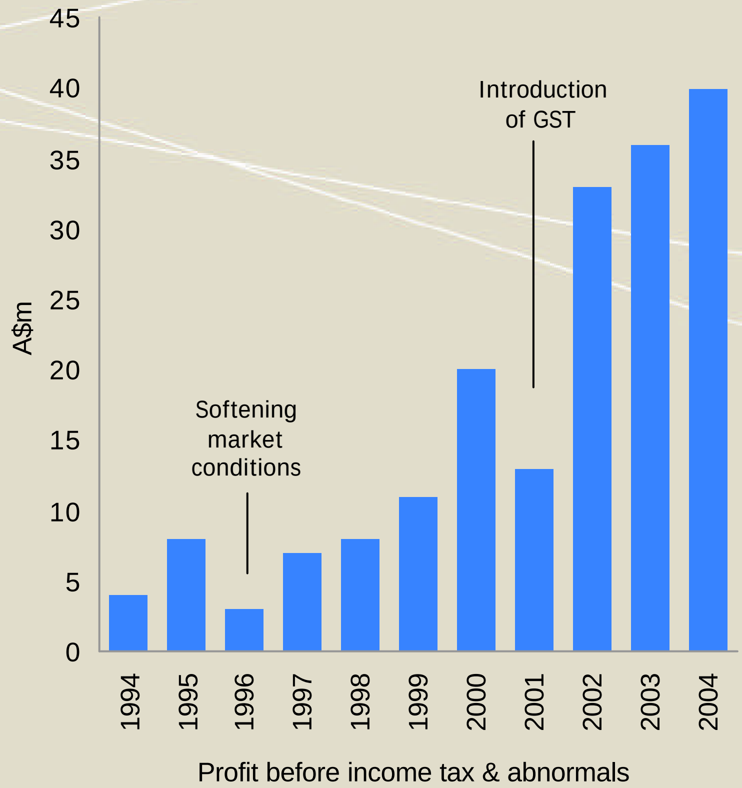
- Approximately 200 houses per annum built on CPG land

Historical Financials

CPG sales revenue



CPG Profit before income tax & abnormals



Investa Strategy

Strategic Objectives

INVESTA Property Group

Maintain investment portfolio earnings at 75-85% of group earnings

- IPG will still derive approximately 75% of its earnings from its investment portfolio

Measured approach to development and other growth initiatives

- Achieves goal of growing the development business while also acquiring the necessary staff and resources to manage the acquisitions
- Vertical integration reduces business risk in the development process

Target gearing (debt to total assets) of 28-32%

- This policy remains in place and IPG has the flexibility to restore gearing to this range within 12 months

Strategic Objectives

INVESTA
Property Group

- To provide investors with a low risk and growing income stream by exploiting all links in the property value chain

Innovation	Manufacturer	Property Management	Investment	Funds Management
Ideas	**Development**	**Property Management**	**Investment**	**Funds Management**
Property Solutions	Investa Developments • Residential • Commercial • CPG	Investa Asset Management Pty Ltd Corporate Property Services	Investa Properties Ltd	Syndication (8) Wholesale (2)

Rationale

Rationale

The acquisition of CPG allows Investa to realise three key strategic outcomes :

1 Builds on the acquisition of Silverton and subsequent acquisitions

- Underpins Investa's long-term earnings growth

2 IPG gains exposure to the NSW residential development market via an acquisition of a diverse portfolio of high quality residential projects

- CPG is the third largest contract home builder in Australia (and the largest in NSW)
- NSW residential development that has proven difficult to break into for many developers in recent years
- Assets are predominantly located in recognised growth corridors with established history of consistent demand

3 IPG gains the ability to become a vertically integrated provider of residential product without exposure to high rise development/construction and limited exposure to speculative residential construction

Rationale

- The market for residential property is undergoing a structural shift:
  - State governments are increasing their control over planning authorisations in order to increase density and control the shape of new communities
  - Residential development is concentrated into designated growth corridors with infill development in established locations
  - Local and state government controls have increased barriers to entry
- Investa believes that there is a need to provide built form solutions in order to be a significant long term participant in the residential property market
- The ability to deliver built form solutions will significantly reduce development risk and enhance potential returns

Rationale

- Further benefits of the CPG acquisition include:
  - increase in dwelling lots controlled
  - additional medium density development projects
  - acquisition of substantial residential design and construction capability which represents a strategic fit to the existing business
  - retention of quality senior management team
  - addition of approximately 470 skilled employees

- The various Joint Venture projects being undertaken by CPG provide an immediate relationship with influential players in the NSW residential market including:
  - Landcom (NSW Government) and
  - Boral and Austral (major land owners)

Rationale - Risk Management

- The Group minimises risk by investing in assets in diverse sectors and geographic locations.
  - No single investment prior to development represents more than 25% of the development group's total assets.
  - The business strategy does not include any landmark commercial projects or high rise residential
  - Construction is restricted to low rise housing
  - Before projects are committed commercial assessment is prepared with sensitivity analysis of the material risks to ensure any risks are mitigated
  - The ability to control both landbank and built form mitigates development risk by ensuring we are best placed to deal with demand/supply shifts, conformity with state planning controls

Impact of the Acquisition on Investa

Acquisition Funding

Stage 1 – Acquisition of 40% of CPG

Sources of funds	A$m	Applications of funds	A$m
Issue of IPG securities	60	Investment in associate	100
Debt	42	Acquisition costs	2
Total sources of funds	**102**	**Total applications of funds**	**102**

Note: subject to confirmation post completion 1

Stage 2 – Acquisition of remaining 60% of CPG

Sources of funds	A$m	Applications of funds	A$m
Issue of IPG securities	190	Acquisition of subsidiary	150
		Stamp Duty	24
		Debt	16
Total sources of funds	**190**	**Total applications of funds**	**190**

Note: subject to confirmation post completion 2; IPG to assume responsibility of debt in CPG

EPS before Amortisation

- EPS neutral in FY 2005 (16.5cps)
  - Stage 1 equity accounted
- EPS positive in FY 2006
  - Stage 2 assumed to occur in July 2005
  - Consolidated into IPG results
- Impact on FY 2006 earnings
  - EBIT + $50 million
  - Net Profit before Amortisation +$30 million
  - ’06 earnings assume lower sales rate than FY04 and 3% price growth thereafter
  - No financial benefits of synergies factored into forecasts

Trust/Company Earnings Mix

	2005	2006
Before Acquisition		
IPT	90%	89%
IPL	10%	11%
After Acquisition		
IPT	88%	80%
IPL	12%	20%

Proforma balance sheet as at 30 June 2004

$ million	Actual Audited	Pro-forma pre acquisition [1]	Pro-forma post acquisition [2]	Pro-forma post acquisition [3]
Cash	9	9	9	9
Investment Properties	3,972	3,955	3,955	3,955
Investments in Associates	-	-	102	-
Property Development Inventories	170	205	205	619
Intangibles	125	125	125	265
Other	184	184	184	230
Total Assets	4,460	4,478	4,580	5,078
Interest Bearing Liabilities	1,619	1,504	1,546	1,854
Other	124	124	124	124
Total Liabilities	1,743	1,628	1,670	1,978
Net Assets	2,717	2,850	2,910	3,100
Securities on Issue (Millions)	1,435	1,453	1,482	1,572
Gearing (%)	36.3%	33.6%	33.8%	36.5%
NTA per security (A$)	1.78	1.78	1.78	1.71

Notes:

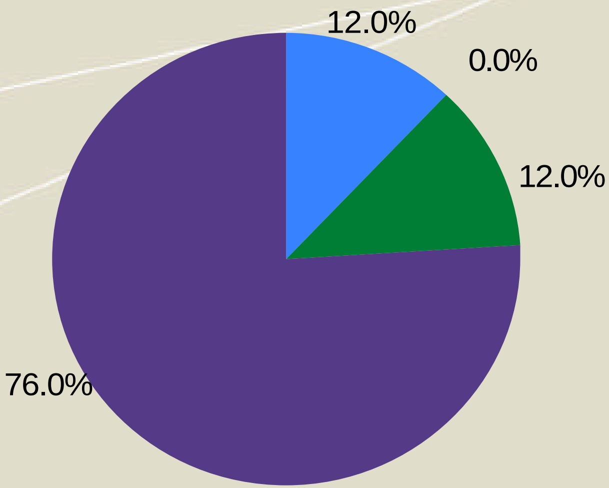
1 Following the sale of 25% of 400 George Street, Sydney for $99m and 73 Northbourne Avenue Canberra for $18m (proceeds applied to reduce borrowings) and the purchase of Mt Derrimut Road, Deer Park for $35m (funded by additional borrowings) and the issue of 18m Securities under the distribution reinvestment plan for $35 million (proceeds applied to reduce borrowings).

2 Includes Stage 1 acquisition of 40% of CPG.

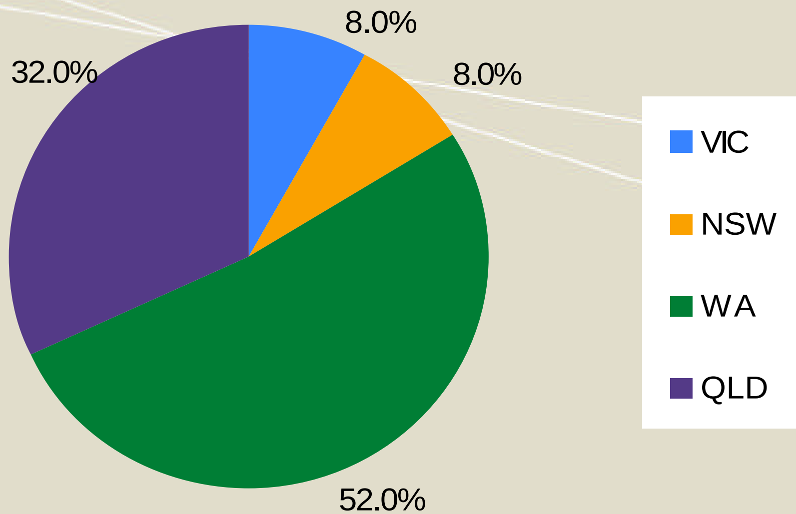
3 Includes Stage 1 and Stage 2 acquisition of CPG.

Impact on Investa
– Land Geographic Diversification

IPG—current



IPG + CPG



Impact on Investa – Zoning status of land

	IPG	CPG	Total
Lots currently zoned	3,977	3,648	7,625
Unzoned land	5,146	764	5,910
Total	**9,123**	**4,412**	**13,535**

Impact on Investa

- Investa Residential Portfolio Pipeline

INVESTA Property Group

	TOTAL	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Residential land - Est No. of lots							
Quinns Beach (WA) - zoned	61						
Mill Park Lakes (Vic) - zoned	1065						
Eden's Crossing (Qld) - zoned	1572						
Sippy Downs (Qld) - zoned 212 , unzoned 4200	4412						
Henley Brook (WA) - unzoned	571						
Henley Brook 2 (WA) - unzoned	375						
Coomera (QLD) - zoned	700						
Riverpoint (Westend Qld) - zoned	280						
C-Air (Hillarys WA) - zoned	87						
IPG	**9,123**	91	439	731	1050	1,350	1100
Warriewood	180						
Kooindah	336						
Aspley Keep	99						
Somerset Park	142						
Sinnamon Park	20						
Beecroft	17						
Blaxland	52						
Cooranbong	141						
Elderslie	245						
Hamlyn Terrace	53						
Wadalba	61						
Little Bay	66						
Glenfield	67						
Eastwood	250						
George's Fair	1,000						
Kellyville	292						
Somerset Park (Crouch Land)	250						
Somerset Park (Farragher Land)	364						
"East" Rushcutters Bay	218						
Schofields	58						
Elanora Heights	92						
Miscellaneous Lots	409						
CPG	**4,412**	265	1,268	852	679	384	401
Combined	**13,535**	**356**	**1,707**	**1,582**	**1,729**	**1,734**	**1,501**

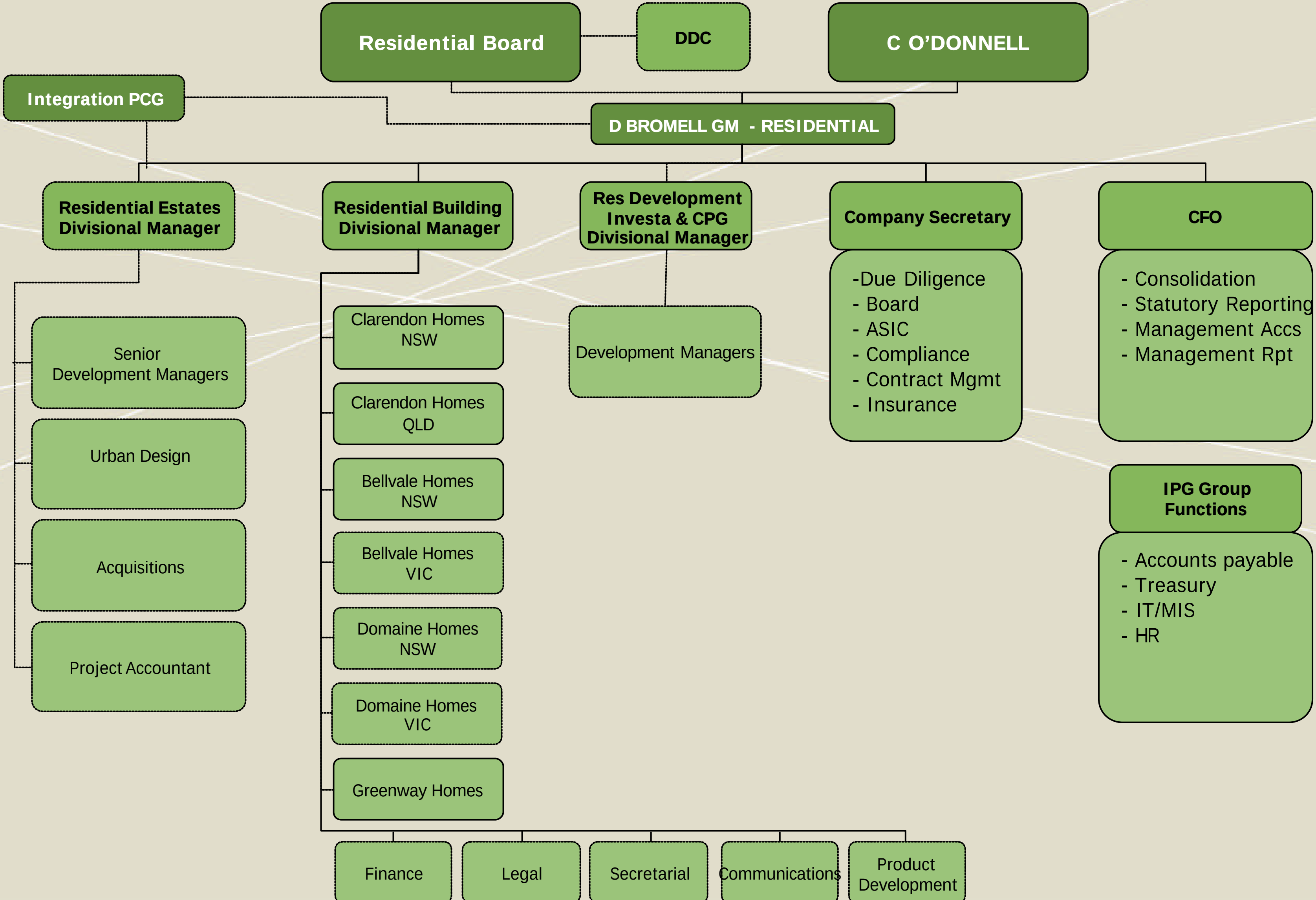
Impact on Investa - Management Structure

- Experienced Senior management team
- Wide range of experience in every facet of property funds management
- 6 non-executive directors including Ian Payne (Chairman) Peter Campbell (CPG Founder)

Board and Senior Management, Post 40% CPG

- Ian Payne Chairman
  - John Arthur Non Exec
  - John Messenger Non Exec
  - **Chris O'Donnell Managing Director**
    - **Asset Management** – **Andrew Junor**
    - **IPT Portfolio Manager** – **Campbell Hanan**
    - **DOF Portfolio Manager** – **Michael Cook**
    - **Manager Unlisted Funds** – **Bill Grounds**
    - **Corporate Property Services** – **Peter Bolton-Hall**
    - **GM, Residential Development** – **David Bromell**
    - **GM, Commercial and Industrial Development** – **TBA**
    - **Finance** – **Graham Monk**
    - **Company Secretariat / Admin** – **Brian McGarry**
  - Deborah Page Non Exec
  - Jock Murray Non Exec
  - Peter Campbell Non Exec

Impact on Investa
– Development Organisational Structure



Impact on Investa - Integration

INVESTA Property Group

- Addition of approximately 470 full time equivalent employees and relevant skills and retention of the senior management team
- Construction housing division to remain stand alone, CPG Estates and CPG Developments density to be merged with Investa post 100%
- Complementary systems and back of house
- 6 months to manage integration and transition
- Synergies for IPG commence now
  - Synergies not factored into financial forecast
  - 4,400 lots (under control) in NSW market
  - Ability to control developed outcomes with greater density required by authorities
  - Residential development opportunities for integrated projects
  - Additional resources in both estates and development business
  - Opportunity for built product
    - Edens Crossing, Qld
    - Cunning land, Qld
    - Mill Park Lakes, Vic
    - South Morang, Vic
    - Landcom opportunities, NSW

Conclusion

Conclusion

- Investa has a track record of implementing its strategic plan via acquisition and organic growth
- The CPG acquisition builds on IPG's strategy to grow corporate earnings 2006 forecast 80% : 20% mix
- The acquisition increases lots under management and creates a new earnings stream through contract housing
- Policy targeting gearing range of 28-32% in place with flexibility to restore in a 12 month time frame
- The acquisition of CPG's construction business allows IPG to achieve vertical integration and extract greater value from the residential development value chain
- Investa will retain key personnel from the CPG business, thus reducing integration risk and allowing Investa to apply the knowledge across Investa's broader business
- Earnout formula aligns interests of Investa and CPG executives
- EPS
  - 2005 Neutral (16.5 cps) accretive 2006