



**INVESTA**  
Property Group

Investa Properties Limited  
ABN 54 084 407 241  
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Sydney NSW 2000  
GPO Box 4180  
Sydney NSW 2001  
Tel: 02 8226 9300

June 17th, 2005

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Madam,

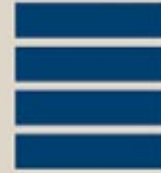
### **INVESTA RESIDENTIAL BUSINESS UPDATE**

Please find attached a copy of the presentation which is to be given at a briefing to investors on Friday 17<sup>th</sup> June, 2005 at the Radisson Hotel, O'Connell Street Sydney.

For further information, please contact Chris O'Donnell on (02) 8226 9301, Graham Monk on (02) 8226 9304 or Elizabeth Hattersley on 02 8226 9339.

Yours faithfully

**Brian McGarry**  
**Company Secretary**  
Tel: (02) 8226 9300  
Fax: (02) 8226 9499



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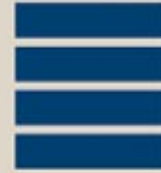
# Residential Division Update

June 2005



# Contents

- Group Overview
- CPG Acquisition
- Australian Residential Market
- Investa's Residential Division
- FY06 Contribution from CPG
- Conclusion



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# Group Overview



# Group Overview – Strategy



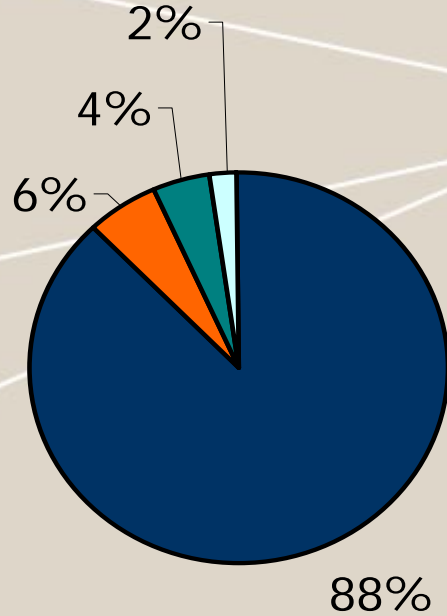
Investa is an integrated property group with diverse, relatively low risk income streams

# Group Overview – Earnings Contribution

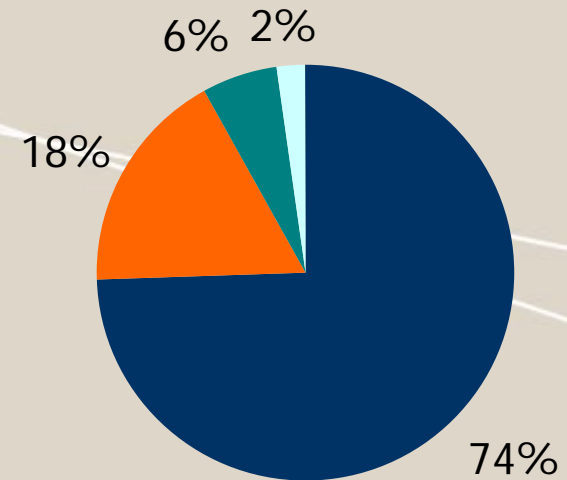
## EBIDA

FY05F

FY06F

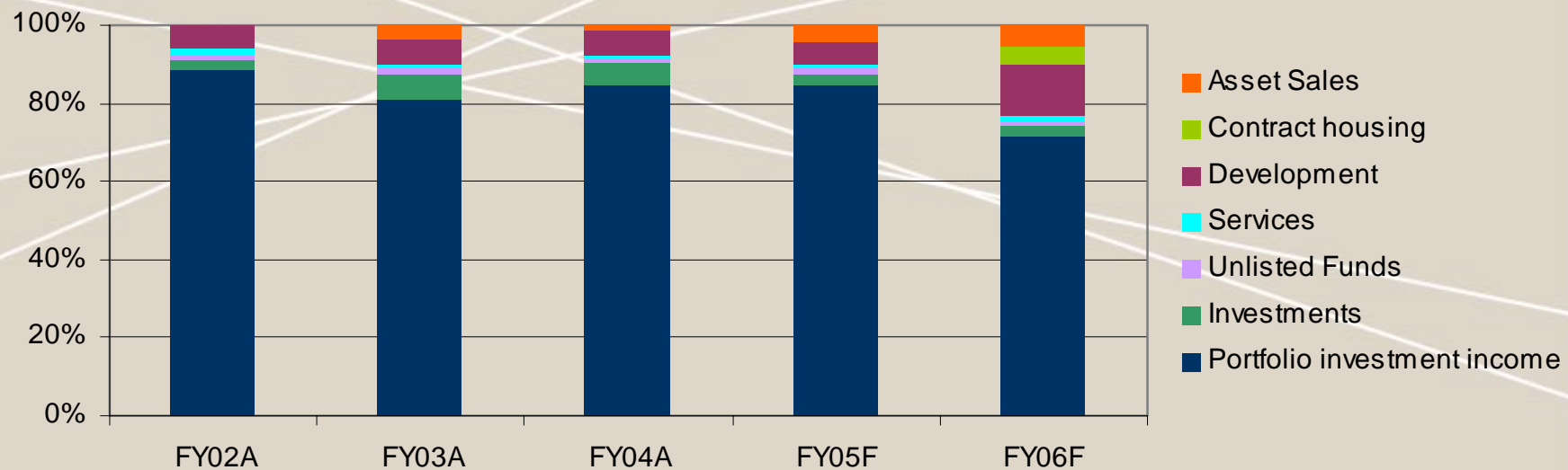


- Portfolio & Investment Income
- Development & Contract Housing
- Asset Sales
- Funds & Property Management



# Group Overview – Earnings Contribution

## EBIDA



# Group Overview – Target Earnings Contribution



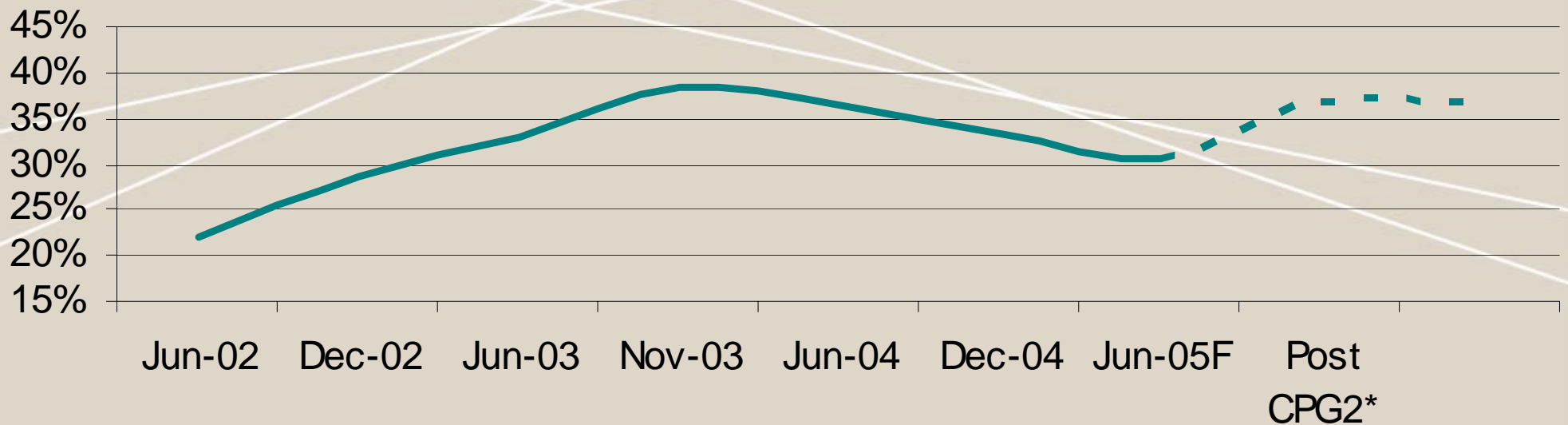
	Investments	Funds Management	Development
% Earnings	70-80	5-15	10-20
Risk	Low	Low	Medium
	<p><u>Quality Portfolio*</u>                      96% occupied                      WALE 5.3 years                      High quality tenants                      Premium 33%                      A Grade 58%</p> <p><u>Geographic Split*</u>                      NSW 62%                      VIC 27%                      QLD 5%                      WA 5%</p> <p>* Includes 80% of 126 Phillip St</p>	<p><u>Wholesale</u>                      Annuity Style income stream                      Up front fees                      Investors more long term focused</p> <p><u>Syndicates</u>                      Annuity Style income stream                      Up front fees</p>	<p>No high rise residential  <u>Land Subdivision</u>                      Low risk end of residential spectrum                      Staged release of land  <u>Contract Housing</u>                      Cash flow positive business                      Small \$ contracts                      Majority of progress payments by financier  <u>Commercial/Industrial</u>                      Majority of projects require tenant/purchaser pre-commitment with fixed time, fixed price contracts to 3<sup>rd</sup> party builders</p>



# Group Overview - Gearing

- Target gearing range 28-32%
- Forecast gearing as at 30 June 05 is 31%

## Debt to Total Assets



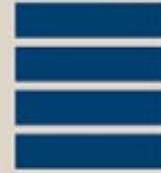
\* CPG2 = remaining 60% purchase

\* assumes underwritten DRP for June 05 quarter

# Group Overview – EPS/DPS forecast



- FY05 EPS/DPS 16.5cps (guidance reaffirmed)
- FY06(F) EPS/DPS 16.9cps (= market consensus)



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CPG  
Acquisition



# CPG Acquisition — Key features

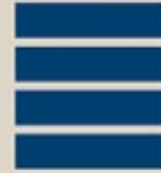


- Strategic investment to extract greater value from land business
- Increased active earnings
- Provides meaningful exposure to NSW (now 30%+ of lots)
- Ability to deliver “built form” solutions to meet higher density requirements of planning authorities
- Vertically integrated provider of residential product (no high rise, limited speculative development)
- Increased land lots by 50% to 13,400 (6<sup>th</sup> largest)
- Complementary development pipeline
- CPG third largest house builder in Australia with key JV relationships (eg Boral, Landcom and Austral)



# CPG Acquisition — Key features

- Purchase negotiated off market under exclusive arrangement in Dec 04
- Earn out structure reflected our expectation of softening residential market conditions
- To be purchased in two tranches to stage capital outlay and integration
- Estates and Development component (>70%) purchased 9% below independent valuation
- \$89,750 per undeveloped lot – 96% located in NSW, over 80% zoned, short delivery timetables, includes infill sites

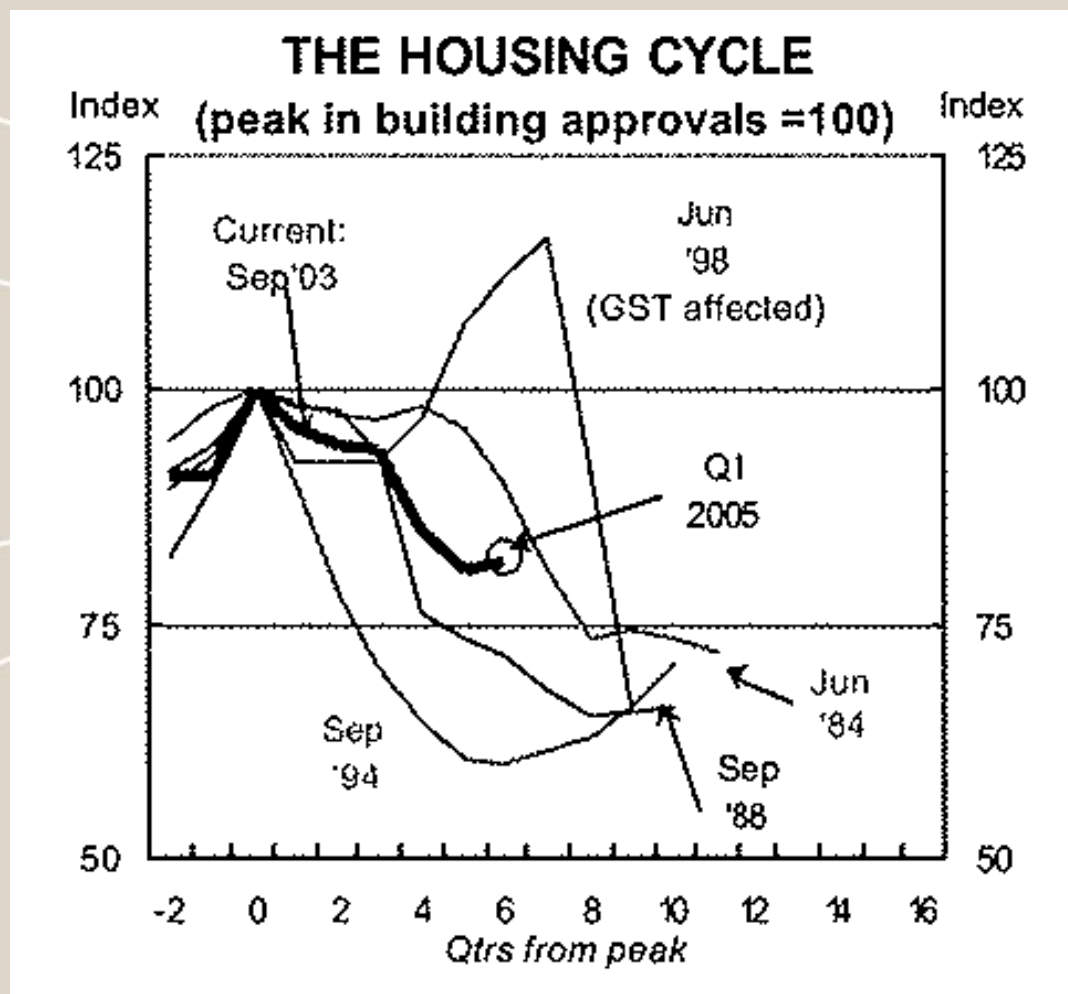


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# Australian Residential Market



# Australian Residential Market

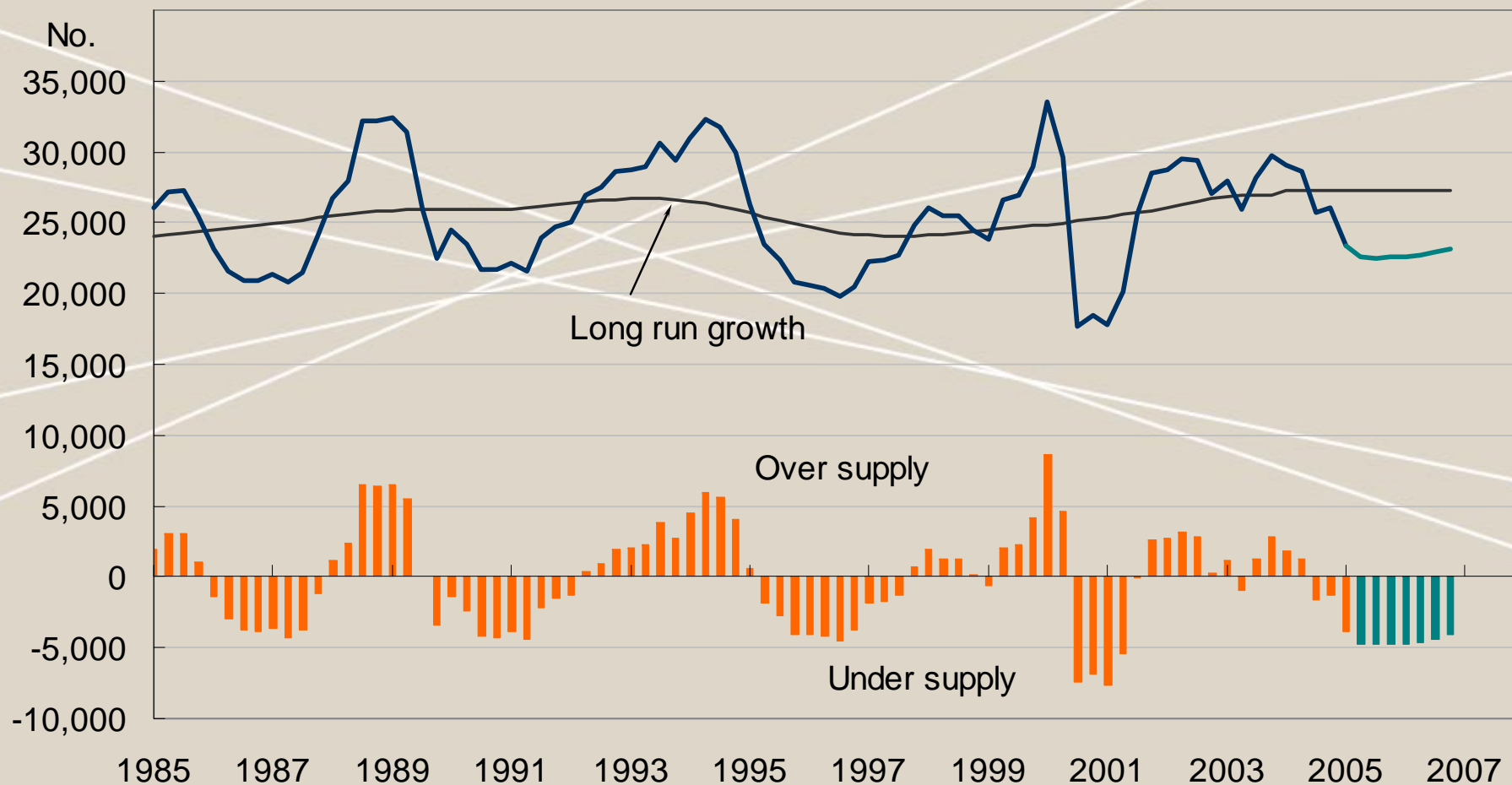


- The decline in approvals has been underway for six quarters
- The downtrend in house approvals has ended.
- The usual preconditions for a construction bust (excess supply, big rises in interest rates, and rising unemployment) are not there.

Source: Commonwealth Research May 05

# Australian Residential Market

## Private Sector Detached Housing Commencements



Source: Citigroup



# Australian Residential Market



- House approvals in line with historic averages (except NSW)

	Period	NSW	VIC	QLD	SA	WA
Private Houses	Mar 05	1,441	2,467	1,991	712	1,539
Long term monthly av	1985 to date	2,224	2,320	2,099	618	1,273
Mar 05 v long term av		65%	106%	95%	115%	121%

- Historic national average dwelling starts of 140,000 pa

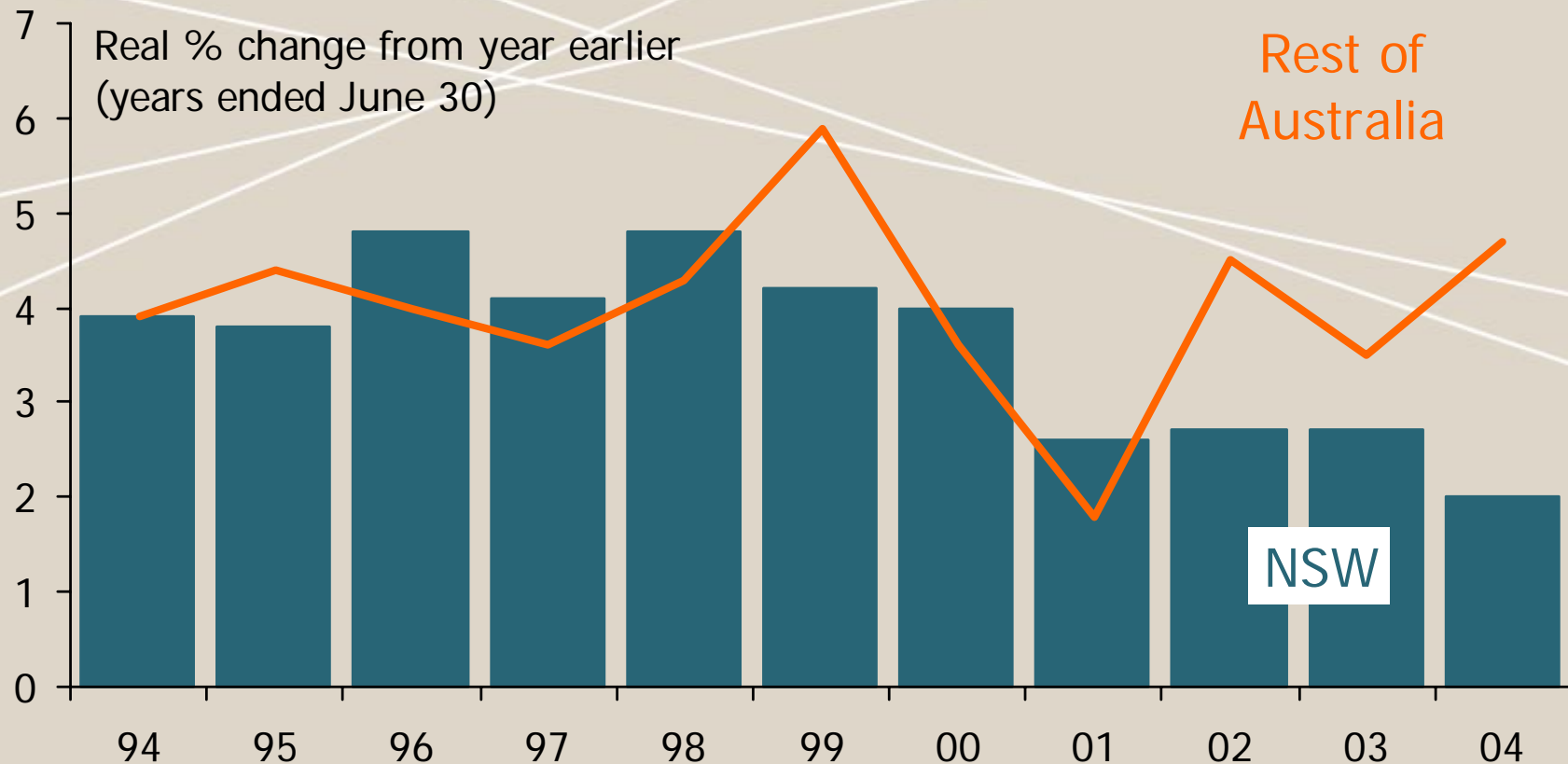
Source: Westpac

# Australian Residential Market

## NSW has lagged Australia

- GSP growth declining

### Gross State Product

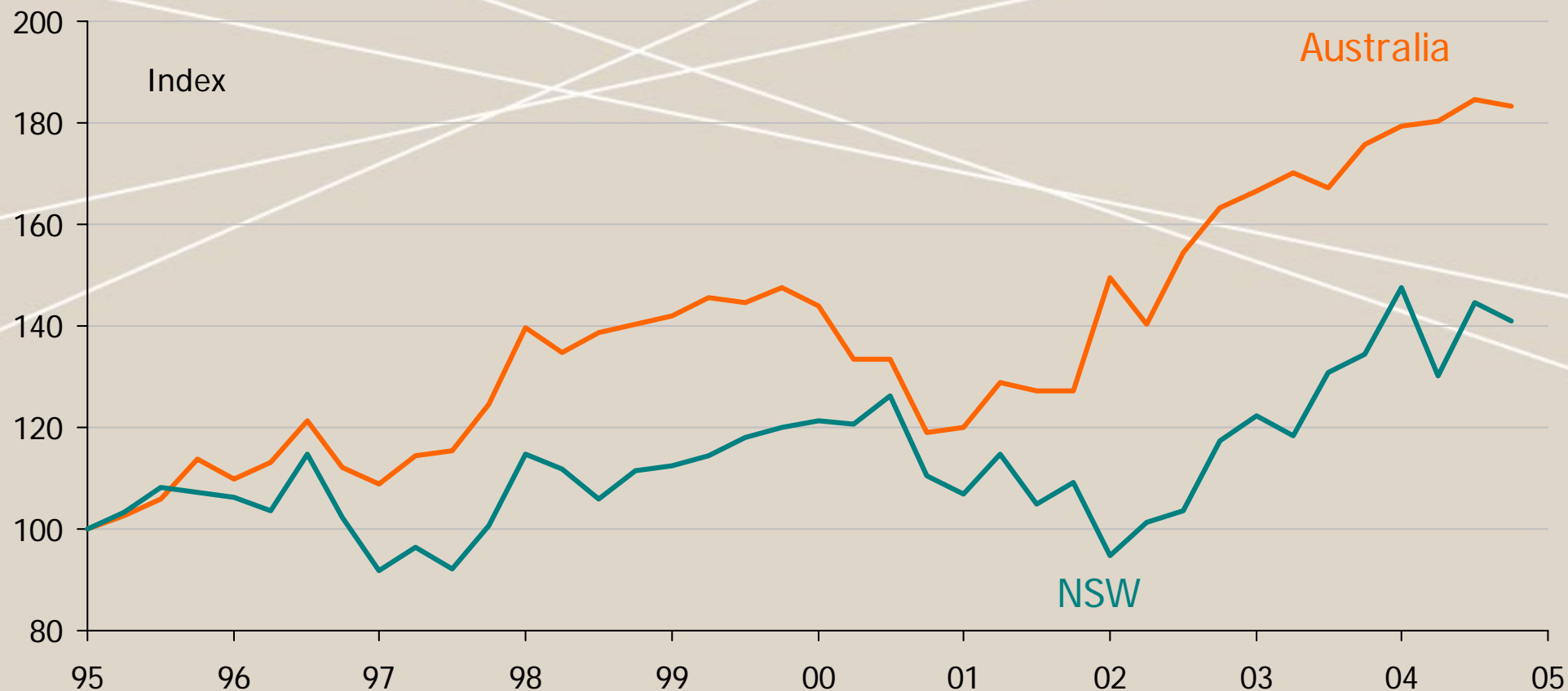


# Australian Residential Market

## NSW has lagged Australia

- Capital expenditure on infrastructure has been deficient

### Engineering Spend

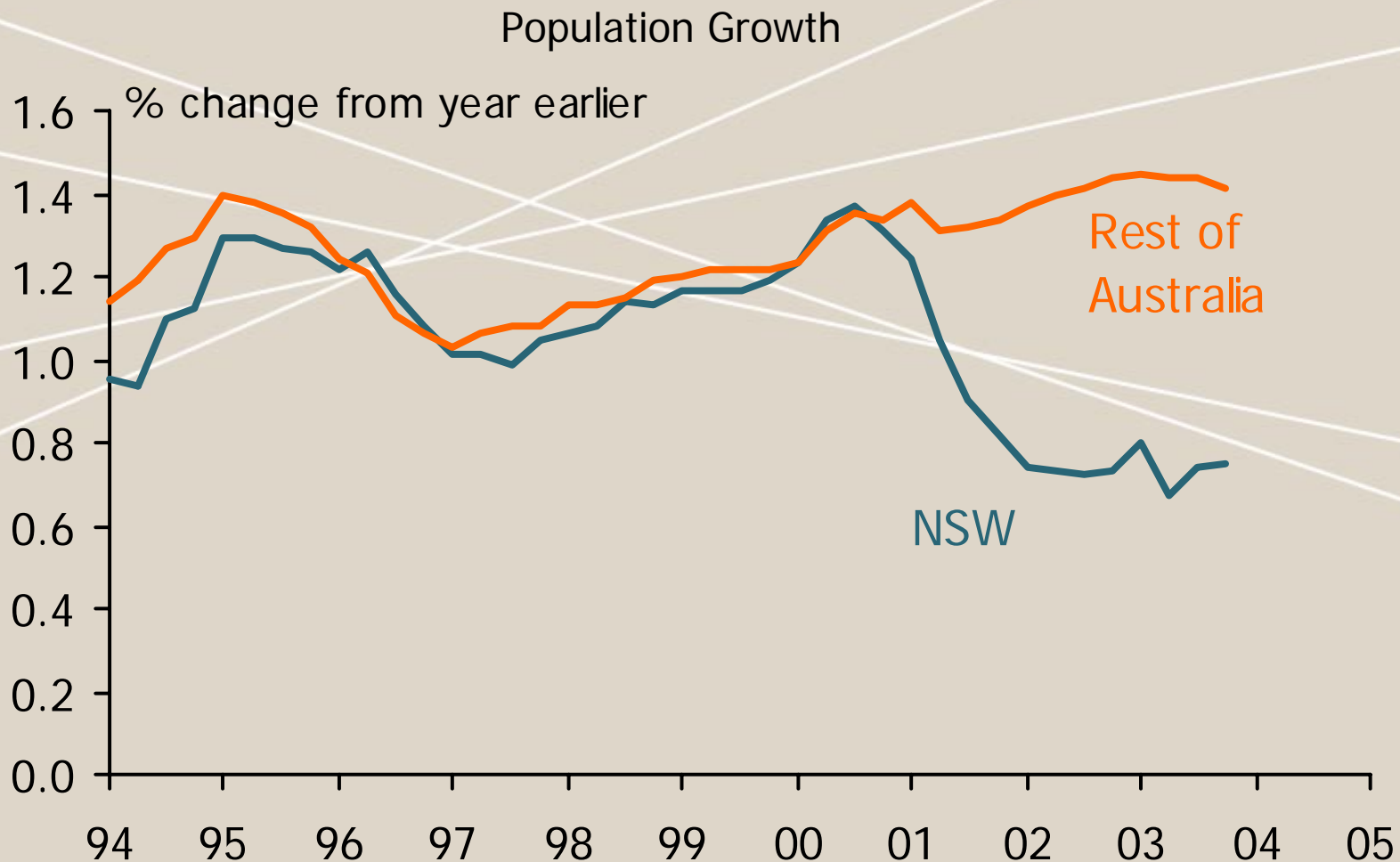


Source: ABS

# Australian Residential Market

## NSW has lagged Australia

- Population growth fell sharply in 2001



# Australian Residential Market

## NSW has lagged Australia

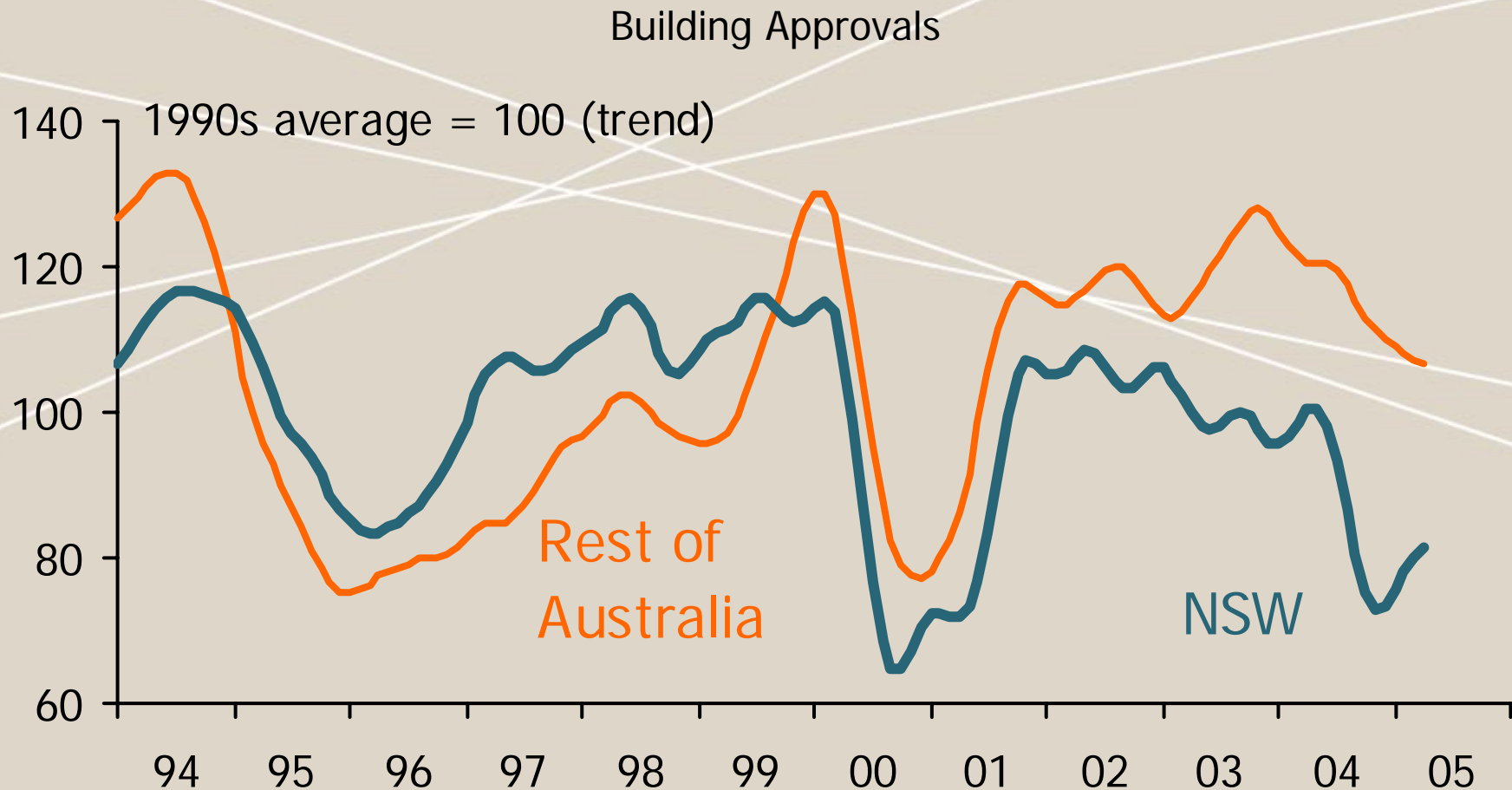
- Housing approvals below trend
- GSP growth declining
- Infrastructure spend has been deficient
- Population growth fell sharply in early 2000's
- Vendor Tax
- Land Tax

However there are signs of improvement.....

# Australian Residential Market

## NSW showing early signs of improvement

- Upturn in residential building approvals

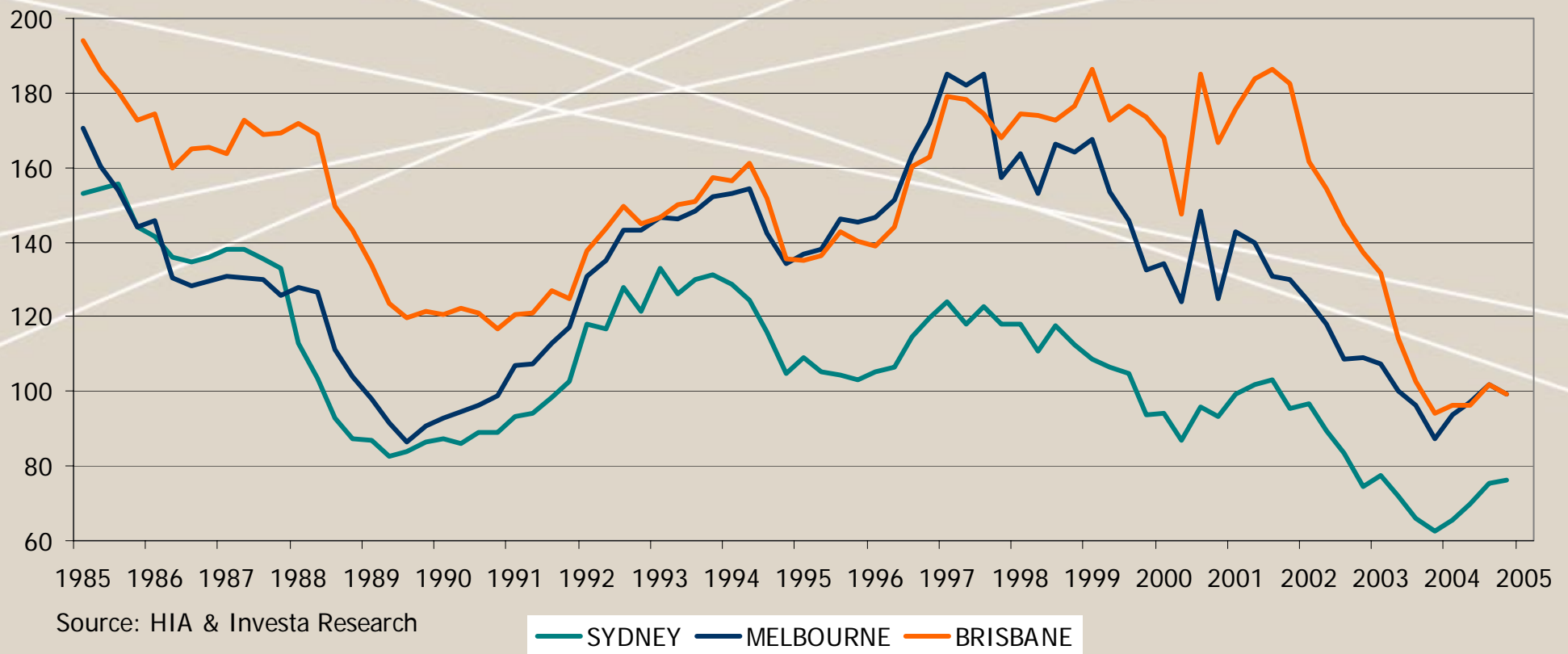


# Australian Residential Market

## NSW showing early signs of improvement

- Affordability gap with neighbouring states has reduced

HIA Housing Affordability Index

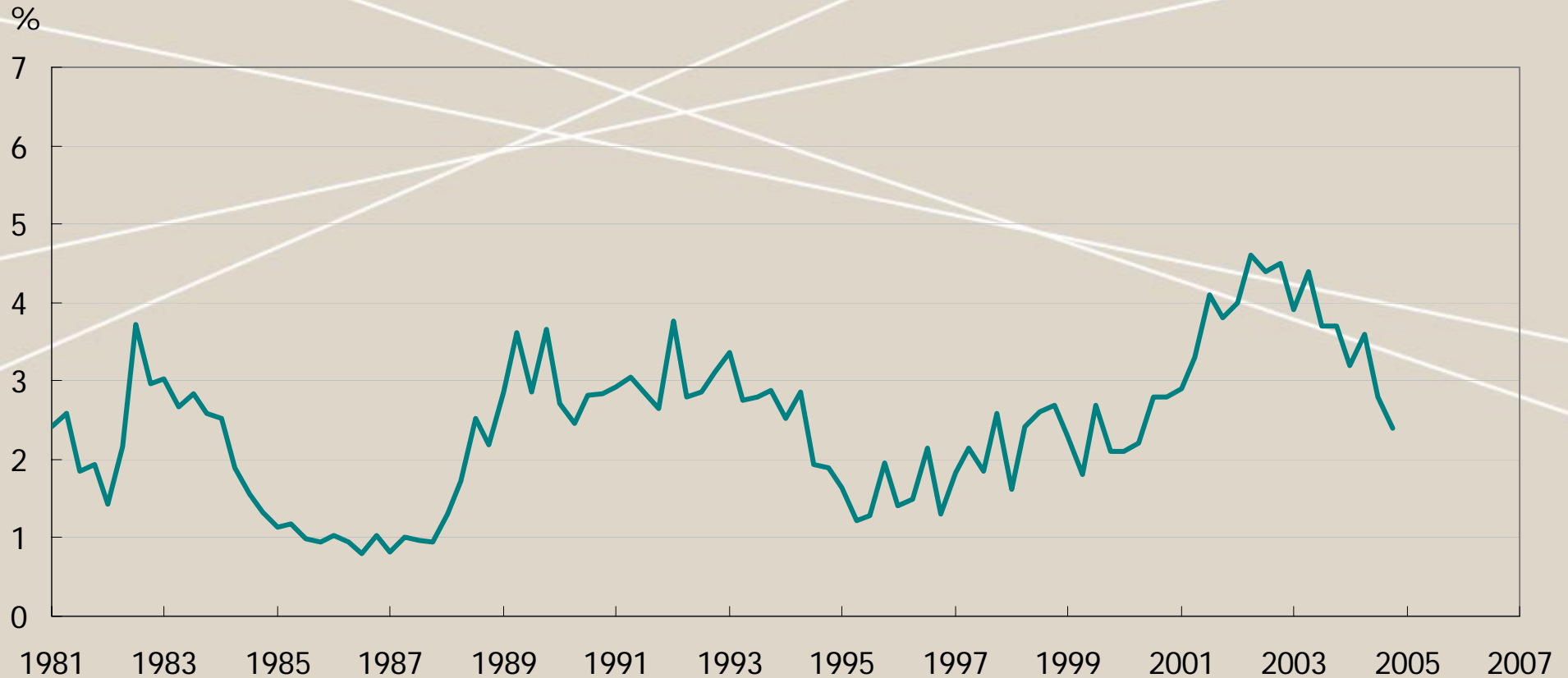


# Australian Residential Market

## NSW showing early signs of improvement

- Residential vacancy rates declining

Sydney Rental Property Vacancy Rates



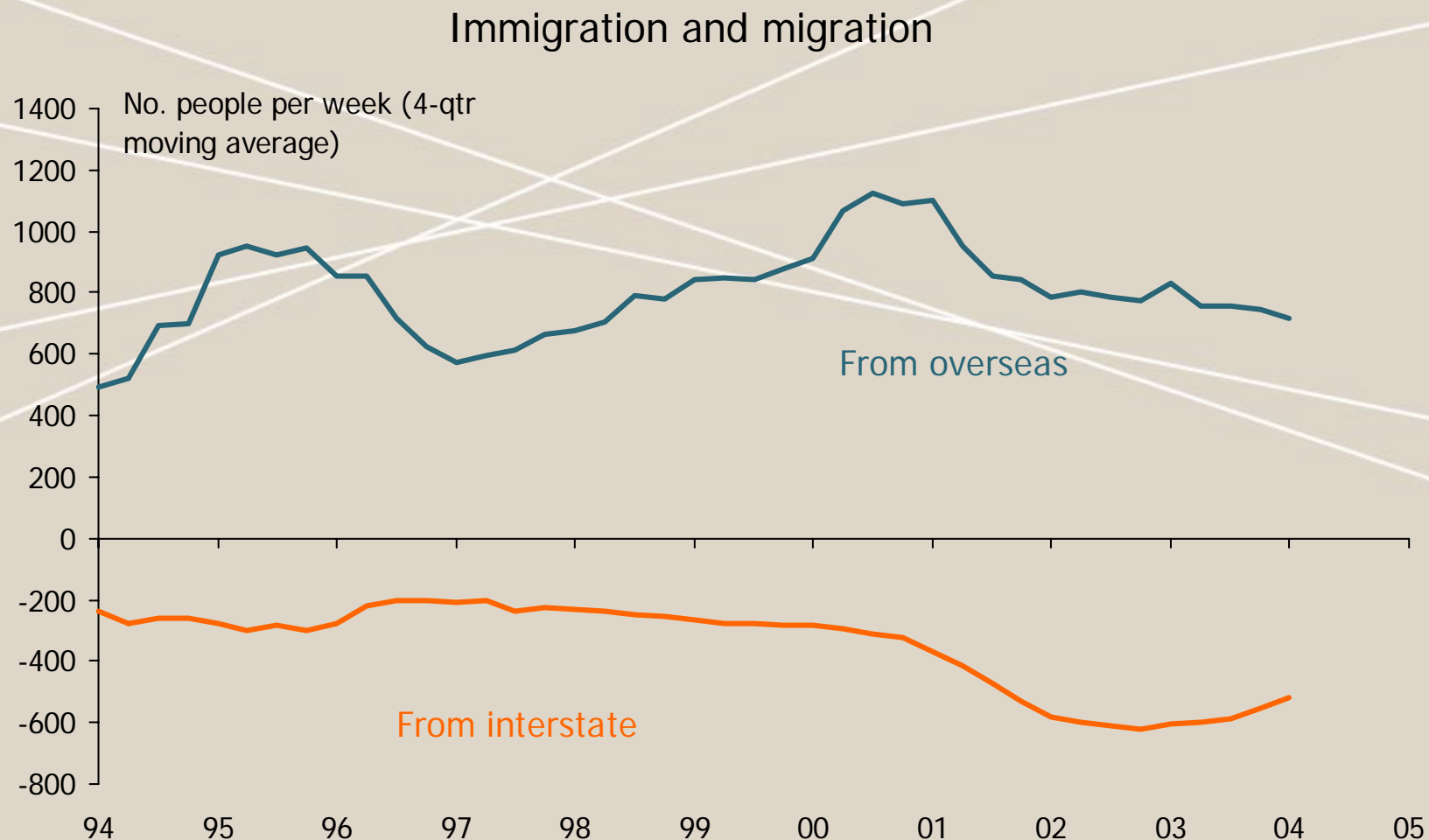
Source: REIA



# Australian Residential Market

## NSW showing early signs of improvement

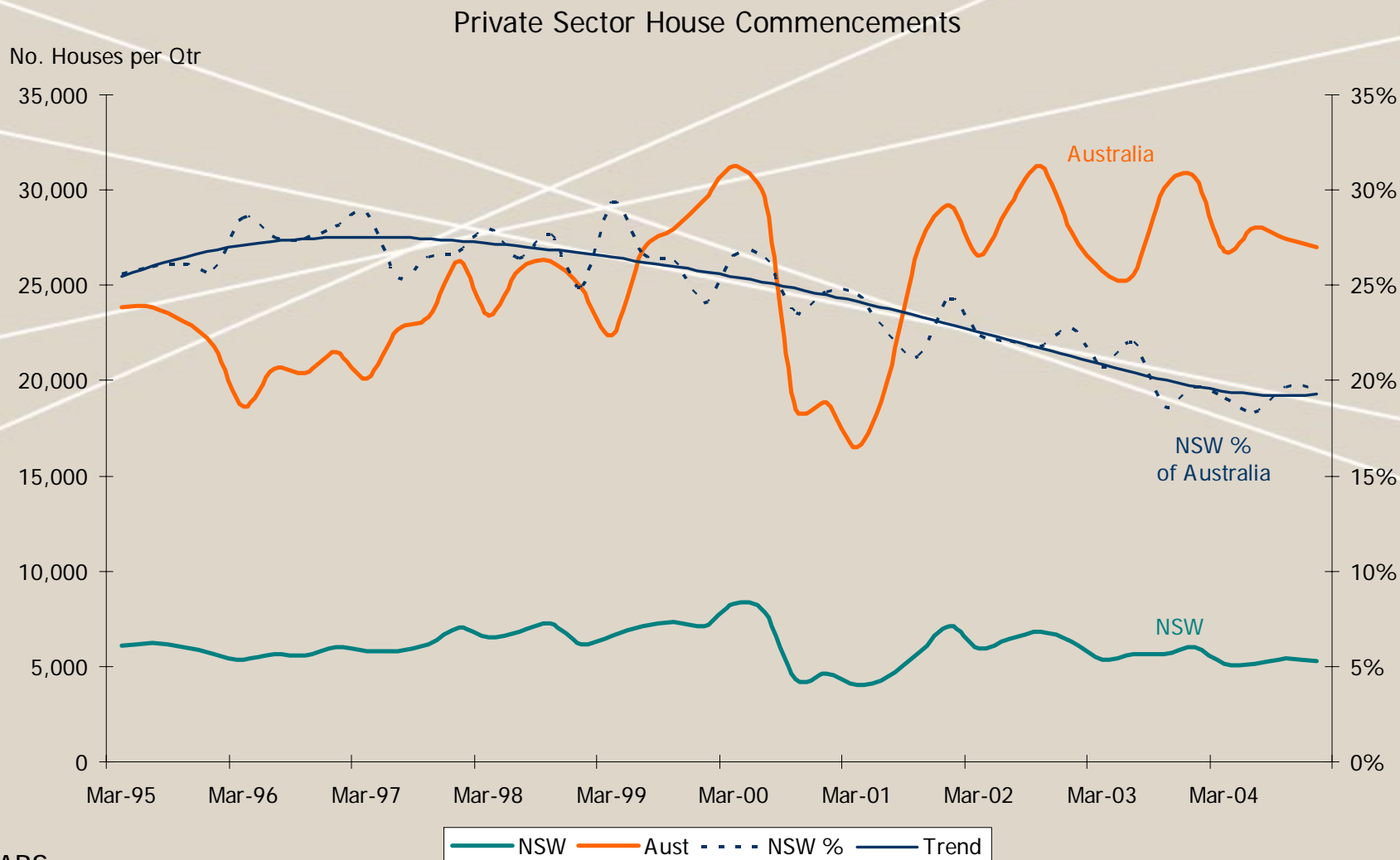
- NSW interstate migration turning around



# Australian Residential Market

## NSW showing early signs of improvement

- NSW % share of house starts no longer in decline



Source ABS

# Australian Residential Market

## NSW showing early signs of improvement

- Upturn in residential approvals
- Affordability gap back in line with historic trends
- Sydney residential vacancy rates declining
- Interstate migration improving
- NSW share of housing commencements no longer in decline

### Other Issues

- Infrastructure spend \$8billion
- Interest rates on hold
- Federal tax cuts
- Supply and demand

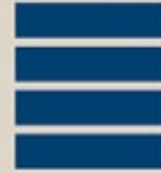
# Australian Residential Market

## NSW demand and supply



- Sydney has a shortage of residential land available for release
- Sydney needs 881,000 dwellings (around 2,450 per month) by 2031 to meet current population projections\*
- Historic average monthly NSW approvals have been 2,224

\* Source: "Australia on the Move Growth and Dwelling Demand 2001-2031" Bernard Salt of KPMG



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# Investa's Residential Division

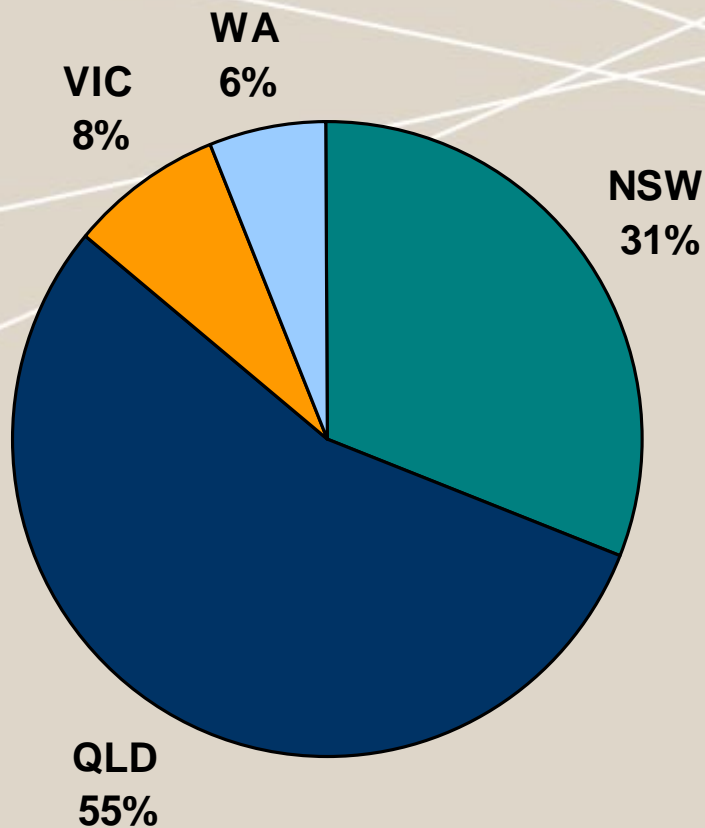


# Investa's Residential Division

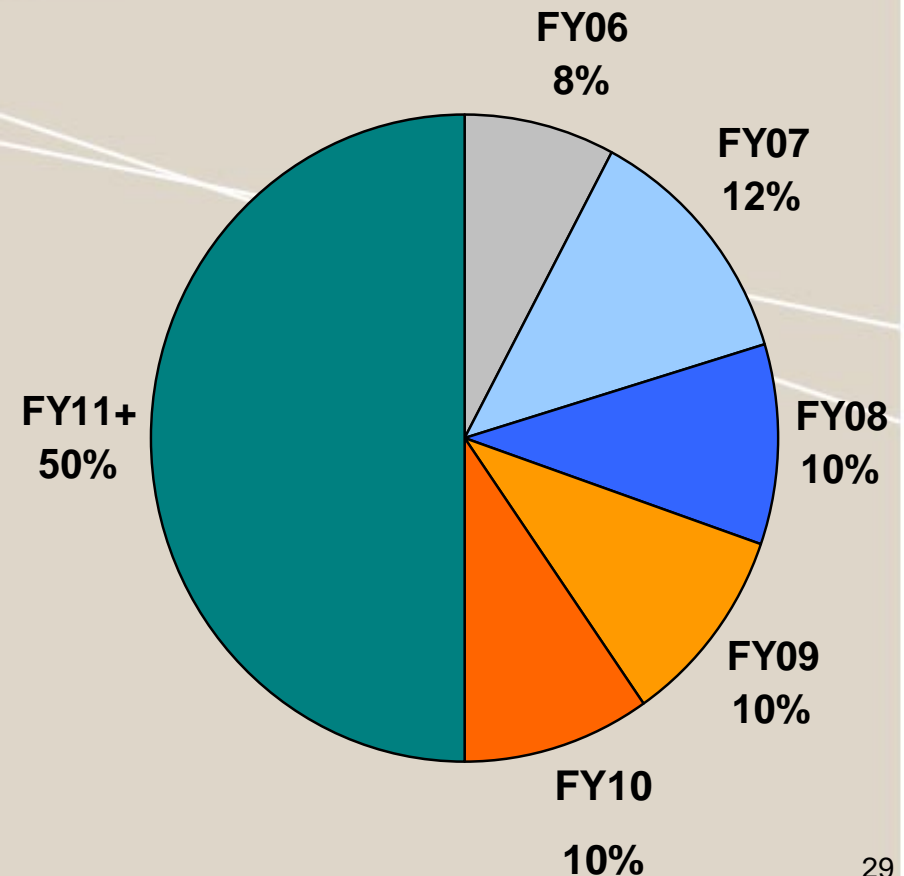
As at June 05

- IPG land bank 8,600 lots, CPG land bank 4,500 lots
- 50% portfolio zoned residential (75% of NSW)

## Geographic Diversification by Lots



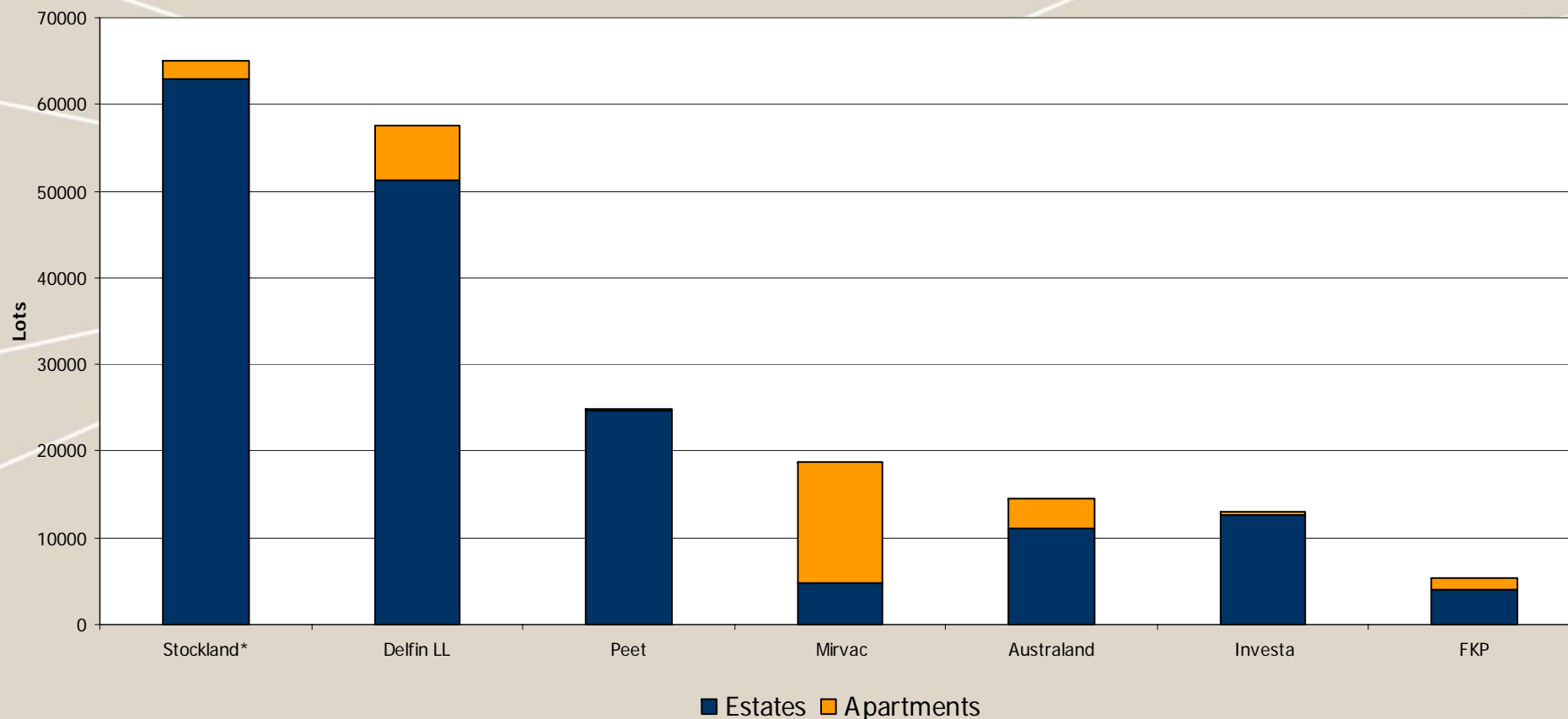
## Residential Pipeline by Lots



# Investa's Residential Division

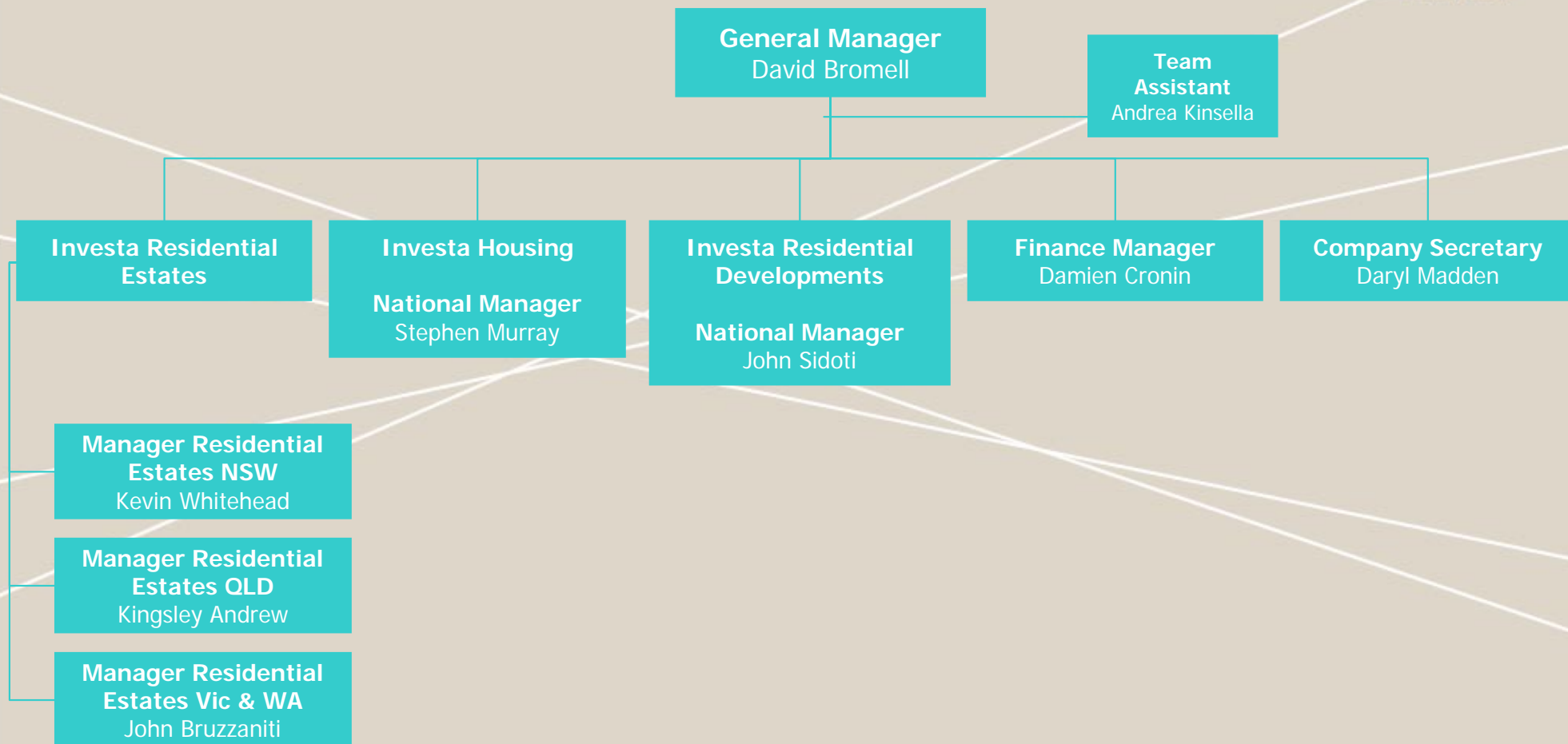


- Investa's strategy is to focus on low density, broadacre subdivision



Source: Investa Research

# Investa's Residential Division





# Investa's Residential Division

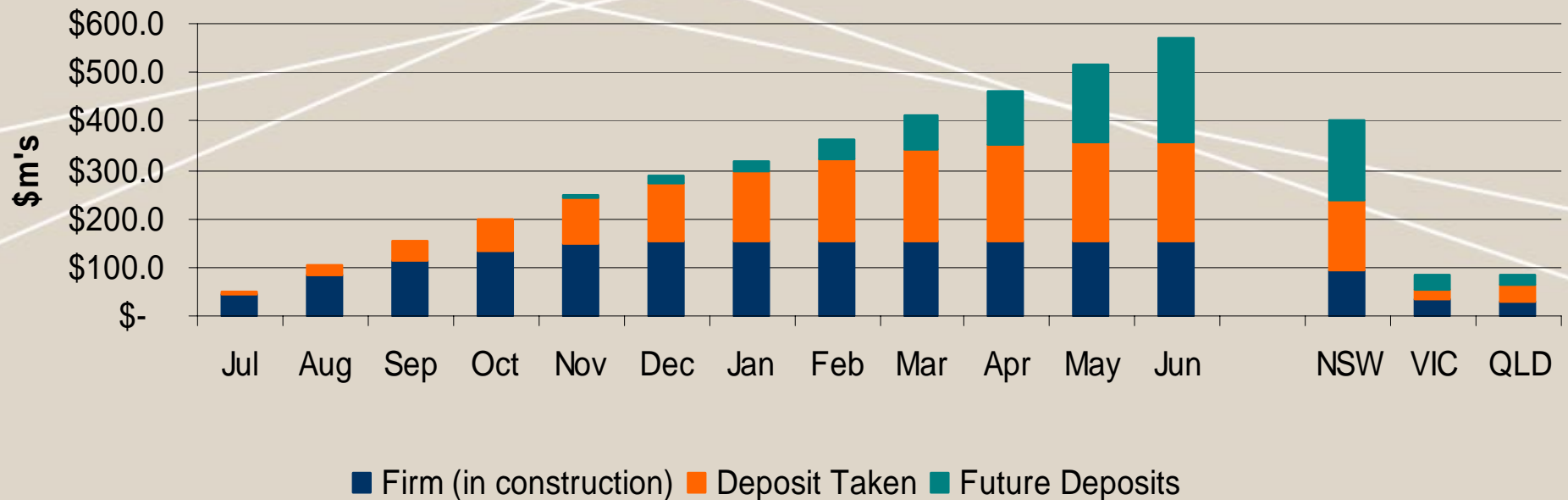


	Forecast Lot Sales FY06	Forecast Construction Starts (Contract Housing) FY06
NSW	550	1,500
VIC	170	300
QLD	220	300
WA	90	na
Total	1,030	2,100

# Investa's Residential Division

- Contract Housing – 60%+ revenue secured for FY06

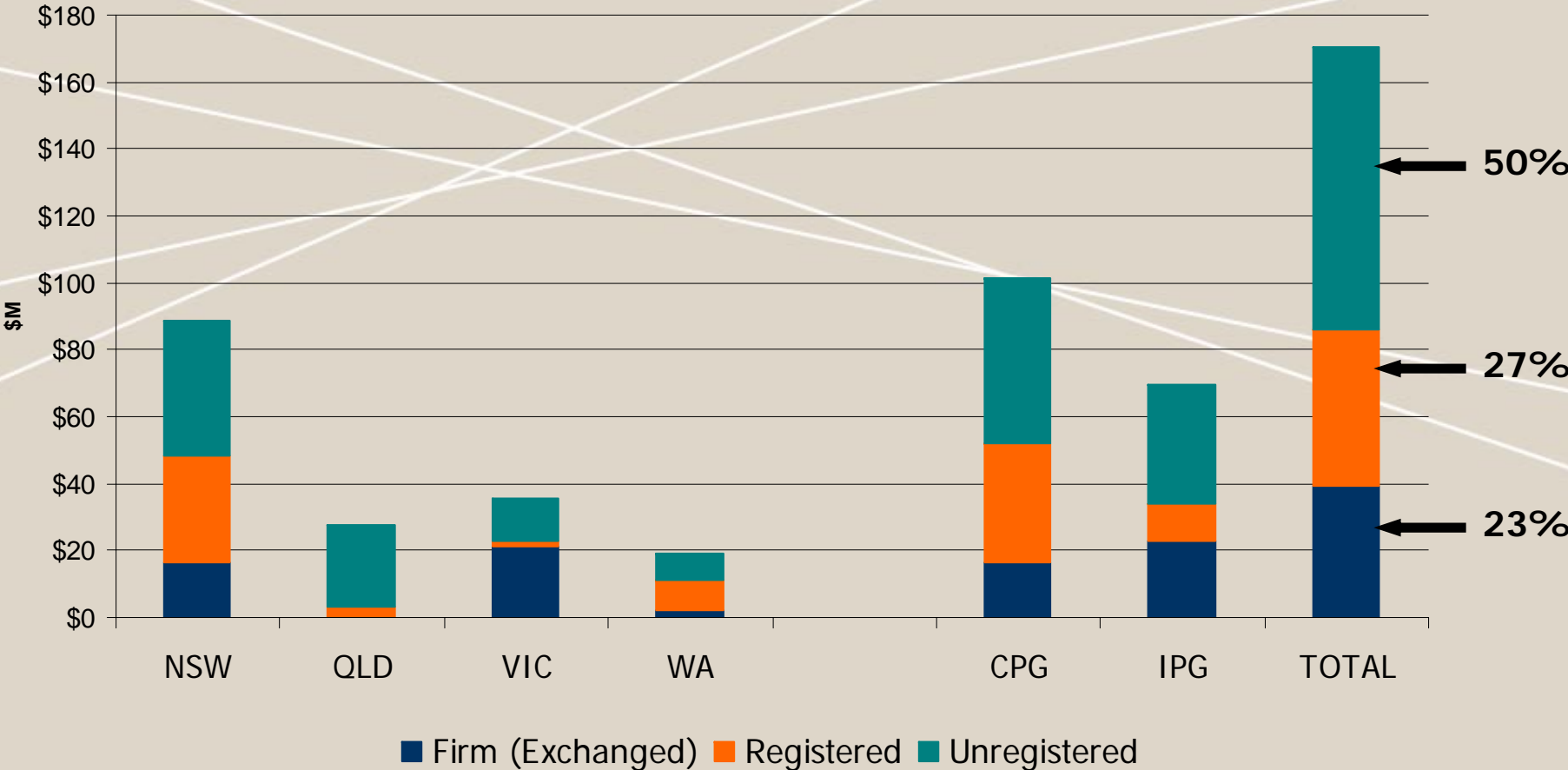
FY2005/06 Contract Housing Revenue

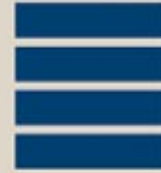


# Investa's Residential Division



FY2005/06 Developments & Estates Revenue





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FY06  
Contribution  
from CPG



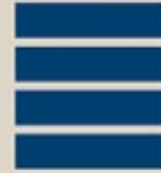
# FY06 Contribution from CPG

As at Dec 04

- Forecast FY06 EBITDA contribution of \$50m

As at June 05

- Forecast FY06 EBITDA contribution of \$45m
- CPG Tranche 2 (60% balance ~\$150m) forecast to occur in Aug/Sep 05
- June quarter 05 DRP assumed to be underwritten (~\$60m)



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Conclusion



# Conclusion

- FY05 EPS/DPS 16.5¢ guidance reaffirmed
- FY06 EPS/DPS 16.9¢ forecast (=consensus estimates)
- FY06 net profit assumes no softening in market conditions.
- Australian residential experiencing a soft landing
- 75% of NSW residential portfolio already zoned - well positioned to capture any market improvement.
- Investa residential has a diverse land bank with minimal medium density.
- CPG integration progressing in line with expectations
- Diversity of income streams within Investa provides ability to manage through cycles.