

# 2010

**DEXUS Property Syndicate**  
Gordon Property Trust and  
Gordon Property Investment Trust  
HALF YEAR REPORT



# MANAGER'S REPORT

## Property Highlights

The Syndicate has provided a return to investors since inception of 14% per annum.

The property has sold for \$67 million.

Occupancy for the centre was 93.5%.

The weighted average lease expiry by income is 7.02 years.

## Description

The Gordon Shopping Complex (the Complex) comprises two retail assets, the Gordon Centre (the Centre) and the Gordon Village Arcade (the Arcade). The Complex has a total lettable area of 13,817 square metres. The Centre is anchored by a Woolworths supermarket and Harvey Norman store, together with specialty retail and commercial office tenancies located over three levels. The Arcade provides retail accommodation for approximately 24 specialty retailers over four levels and is linked by a foot bridge over the Pacific Highway to the Centre.

## Location

The Complex is located on the Pacific Highway, Gordon, 16 kilometres north of the Sydney CBD.

## Syndicate wind up

The Gordon Property Trust and Gordon Property Investment Trust (collectively the Trusts) are unlisted fixed-term property trusts established in June 1998 for a fixed term of 12 years. The original term of the Trusts expired on 15 June 2010. In accordance with the original Syndicate strategy, the property was successfully marketed for sale with the transaction completing on 31 January 2011.

## Sales analysis

Centre	Sale Date	Sale price (\$m)	Initial yield (%)	GLA (sqm)	Rate (\$ psqm)	Comments
Gordon	Dec 2010	67.0	8.50	13,689	4,849	
Southlands Willeton, WA	Apr 2010	60.0	9.55	20,964	2,862	Capital expenditure required.
Dee Why Grand, NSW	Aug 2010	68.0	8.03	10,046	6,770	Brand new. Includes income support.
Centro Lake Macquarie, NSW	May 2010	56.0	8.67	15,739	3,558	Sales growth may be limited.

With the sale of the property the next step is to distribute the net proceeds of the Trust to the registered unitholders.

It is anticipated the distribution of the net proceeds (income and capital) to unitholders will be paid in two tranches. The majority of the Trusts' assets will be distributed in March 2011 with the balance to be distributed following settlement of all outstanding claims against the Trusts which is expected before 30 April 2011.

The regular December quarter income distribution was paid on 28 January 2011. This was the last regular quarterly income distribution to be paid by the Trusts.

## Performance

In line with the Trusts most recent distributions, the regular income distribution for the first half of the financial year is 5.50 cents per unit.

The interim distribution will comprise the majority of the net proceeds of the sale of the property and the settlement of the Trusts' debt facilities. The interim distribution is estimated to be \$1.55 per unit and is anticipated to be paid on 4 March 2011.

The final distribution is expected to be paid in April 2011 and is estimated to be 5.00 cents per unit.

With these distributions paid, we are pleased to announce the return to investors of approximately 14% per annum since inception.

## Sale analysis

The key metrics in the analysis of the sale are:

- Initial yield (pre capital expenditure) of 8.5%
- Passing yield (fully leased and pre capital expenditure) of 8.9%
- Rate per square metre of \$4,849
- Internal rate of return (IRR) since inception of 14%

There have been few recent sales of comparable nature, however the table below provides comparable evidence and demonstrates that the yield and the rate per square metre sit well within the market range.

## Valuation

The property sale price of \$67.0 million was supported by an independent valuation as at 31 December 2010. This represents an 11% decrease on the previous independent valuation undertaken 12 months ago of \$75.4 million. The decrease largely reflects a 0.5% softening in the capitalisation rate for the Gordon Centre and a 1.0% softening in the capitalisation rate for the Gordon Village Arcade based on current market conditions.

The property has been marketed for sale twice during the past year and as such has been thoroughly tested in the marketplace. Transaction activity has slowed in the past six months and only a small number of secondary neighbourhood and sub regional centres have sold at yields of 7.25% to 9.25% depending on their performance, location and prospects for growth.

Despite this, a larger than usual number of retail centres have been put to the market during the past six months which has in turn softened the market for assets in this category. The Centro Properties Group has placed up to several billion dollars worth of properties on the market as it attempts to restructure the business to repay its debt.

## Tax matters

Once the final distribution has been paid, tax statements will be sent to registered unitholders. It is anticipated that the annual tax statements will be available in the third quarter of 2011.

## Debt

The Syndicate was in compliance with its banking facility covenant ratios as at 31 December 2010 with the total facility repaid in early February 2011. As previously discussed the net Syndicate proceeds remaining after the settlement of the Syndicate banking facilities will be distributed in March 2011 to Investors.

## Disclosure – as at 31 December 2010

### Syndicate Capital Management – Gordon

Borrowings	\$28.6 million
Interest cover covenant EBIT/IE	> 2x
Interest cover	2.13x
Security ratio covenant	< 60%
Current security ratio	39%
Debt maturity	June 2011

#### Definitions

Security ratio – Total commitment to value ratio  
 IE – Interest Expense  
 EBIT – Earnings Before Interest and Tax

## Financial Highlights

### Gordon Property Trust

<b>As at 31 December 2010</b>	
Total assets	\$66,691,902
Net assets	\$59,976,386
Net asset backing per unit (rounded)	\$2.76
<b>Six months to 31 December 2010</b>	
Distributions to members	\$1,193,500
Net distribution after loan interest expense	5.50 cpu

### Gordon Property Investment Trust

<b>As at 31 December 2010</b>	
Total assets	\$41,015,681
Net assets	\$23,640,086
Net asset backing per unit (rounded)	\$1.60
<b>Six months to 31 December 2010</b>	
Distributions to members	\$810,387
Gross distribution	5.50 cpu

#### Note 1

Unaudited financial statements as at 31 December 2010.

## 2010 DEXUS Property Syndicate

Gordon Property Trust and Gordon Property Investment Trust

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### DIRECTORY

Responsible Entity  
DEXUS Funds Management Limited  
ABN 24 060 920 783

Registered office of  
Responsible Entity  
Level 9, 343 George Street  
Sydney NSW 2000

PO Box R1822  
Royal Exchange NSW 1225

Phone: + 61 2 9017 1100  
Fax: + 61 2 9017 1101

Syndicate Manager  
Renée Mooney

Investor Relations  
Phone: +61 2 9017 1221  
Email: [syndicates@dexus.com](mailto:syndicates@dexus.com)  
Website: [www.dexus.com](http://www.dexus.com)

Unit Registry Enquiries  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Phone: 1300 554 474  
Fax: +61 2 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

For enquiries regarding holding,  
change of address, or other matters  
please contact the unit registry.

Custodian  
Perpetual Trustee Company Limited  
Level 11, 123 Pitt Street  
Sydney NSW 2000