

Manager of Macquarie DDR Trust

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**ASX/Media release**

**MACQUARIE DDR ANNOUNCES HALF YEAR RESULTS TO 31 DECEMBER 2008**

**20 February 2009**

Macquarie DDR Trust (ASX: MDT) today announced its half year results for the six months to 31 December 2008.

Summary:

- Core earnings of \$41.8 million (4.46 cents per unit) compared to \$46.1 million (4.95 cents per unit) for the period to 31 December 2007
- Net tangible assets of \$1.05 per unit (\$0.92 after deferred tax) compared to \$1.07 per unit (\$0.93 after deferred tax) at 30 June 2008
- Asset sales of US\$98 million (US\$71 million MDT share)
- Weighted average unexpired lease term of 5.5 years
- Average rental growth of 8% on new leases and renewals<sup>1</sup> (3% of total portfolio)
- Repaid over US\$50 million of debt
- Strong cash flows and interest coverage ratio of 2.4 times
- Strategic review commenced to explore and execute options with the specific objective of seeking to maximise unitholder value

Macquarie DDR Trust Chief Executive Officer, Mr Luke Petherbridge said: "The Trust's portfolio has delivered an income stream from high occupancy levels and long lease terms through

<sup>1</sup> Rent growth on new leases does not include leases on space vacant for more than 12 months or those with no comparable rent.

tough economic conditions. Management continues to focus on stabilising the balance sheet by minimising earnings volatility and increasing liquidity through selectively realising assets. We remain cautious and continue to progress the strategic review process with the aim of maximising value to unitholders.”

### **Active asset management – leasing and valuation update**

The Trust’s portfolio had a 91.2%<sup>2</sup> leased rate and lease maturity of 5.5 years at 31 December 2008. The Trust also successfully leased approximately 3% or 490,252 sqft for the period at 31 December 2008. Notably, the September 2008 quarter was one of the Trust’s strongest leasing quarters of the past five years.

Net operating income was US\$68.8 million representing a 3.8% decrease on the prior corresponding period due to the sale of assets and increased vacancy. Rental growth on new leases and renewals of 8% was achieved on 3% of the portfolio during the period. Although rental growth is now slowing from previous levels, it is still positive, highlighting the long-term nature of leases within Macquarie DDR’s portfolio.

Revaluations were undertaken on all 80 of the Trust’s properties as at 31 December 2008. Of these, 42 properties were independently valued, representing 52% of the total portfolio. These resulted in a US\$234.4 million (US\$169.9 million, MDT share), or a 8.9% (8.1%, MDT share) decrease in asset values compared to book value at 30 June 2008. The movement in average capitalisation rates across all revaluations was from 6.73% to 7.17% or 44 bps.

### **Tenant update**

The Trust continued to monitor its mix of tenants and focused on leasing space to value and convenience retailers – a sector that has historically shown relative resilience in an economic downturn.

As at 31 December 2008, the Trust had over 550 tenants with the top ten tenants representing 31% of rental income.

During the period three tenants, Mervyns, Linen n Things and Circuit City, filed voluntary petitions for reorganisation relief under Chapter 11 of the United States Bankruptcy Code. Management has made solid progress on re-leasing any vacant space resulting from the Chapter 11 filings.

### **Capital management achievements**

During the period, management focused on strengthening the balance sheet selling US\$98 million of assets (US\$71 million, MDT share) and repaying debt. Subsequent to 31 December 2008, the Trust announced the sale of five former Mervyns locations that has increased the Trust’s liquidity and further repayment of debt.

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<sup>2</sup> 84.1% post Mervyns lease rejection in January 2009

In addition, management has closed out the capital hedge and reversed income hedging positions, thereby removing the effects of volatility of currency movements on earnings.

The Trust currently has US\$148 million of debt maturing in June 2009 (MDT share) secured by 18 assets, one of which is under contract for sale. Management is currently engaged with multiple lenders who are reviewing selected assets and undertaking due diligence.

As at 31 December 2008, the Trust is in compliance with all debt covenants.

### **Strategic review**

During the period, the Board of Macquarie DDR Management Limited, Manager of Macquarie DDR Trust, announced it would initiate a strategic review of the Trust with the specific objective of seeking to maximise unitholder value. The advisers to the Trust for the strategic review will explore all options including renegotiating and extending debt terms, realising asset values through asset sales as well as entity-level asset sales, and potentially solicit proposals to acquire 100% of the Trust's units.

### **Outlook**

We maintain a cautious outlook given the extremely difficult US market conditions where capital availability has reduced dramatically and the cost of capital and debt has increased significantly. The Trust faces significant challenges from the weakening US consumer market and deteriorating real estate markets which are having adverse implications to refinancing and current debt positions.

We will continue to focus on capital management initiatives and progress the strategic review with the specific objective of maximising value for unitholders.

Operationally, we are committed to driving the underlying performance of the Trust's quality retail centres, through maintaining solid occupancy levels and the Trust's long lease expiry profiles. Our joint venture partner, Developers Diversified Realty, is instrumental to this, continuing to add value through their strong leasing team.

*Macquarie DDR Trust is a listed real estate investment trust with assets totalling A\$2.8 billion. As at 31 December 2008, more than A\$37 billion of real estate assets are managed globally by Macquarie Group and its associates, across a portfolio of listed and unlisted real estate trusts, unlisted development funds and real estate investment syndicates.*

*Developers Diversified Realty owns and manages over 740 retail properties in 45 states, plus Puerto Rico, Brazil, Russia and Canada totalling over 163 million square feet. Developers Diversified is a self-administered and self-managed real estate investment trust (REIT) operating as a fully integrated real estate company which acquires, develops, leases and manages shopping centres. Additional information about Developers Diversified is available at <http://www.ddr.com>.*

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

<b>Key Trust Data</b>	
	<b>Half year ended 31 December 2008</b>
<b>Operational</b>	
No. of properties	80
Average capitalisation rate	7.2%
Occupancy	91.2%
Weighted average term to lease expiry <sup>1</sup>	5.5 years
<b>Financial</b>	
Net property income	A\$90.7 m
Core earnings	A\$41.8 m
Core earnings per unit	4.46 cents
	<b>As at 31 December 2008</b>
Total assets (Look-through)	A\$2,810.8 m
Total borrowings (Look-through)	A\$1,685.3 m
Trust gearing (Debt: Total Assets)	60%
Interest cover ratio	2.4x
Net Tangible Assets per unit (including deferred tax liabilities)	\$0.92
Units on issue	943 m

31 December 2008 exchange rates: A\$: US\$ 0.7074 / € 0.5065 / ¥ 64.2731

<sup>1</sup> Ex Mervyns portfolio

## For further information

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MDML does not receive fees in respect of the general financial product advice it may provide, however it will receive fees for operating Macquarie DDR Trust (MDT) which, in accordance with the MDT Constitution, are calculated by reference to the value of the assets and the performance of MDT. Entities within the Macquarie Group may also receive fees for managing the assets of, and providing resources to MDT. For more detail on fees, see our latest annual report. To contact us, call 1300 365 585 (local call cost).

Past performance is not a reliable indicator of future performance.

Due care and attention has been exercised in the preparation of forecast information, however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of MDML. Actual results may vary from any forecasts and any variation may be materially positive or negative.