2008 Half-Year Results

27 August 2008

- GPT announces half-year results and simplified strategy / business model -

KEY POINTS

- Realised operating income for the half-year to 30 June 2008 of $234 million, full-year guidance of $464 million confirmed
- Statutory loss for the six months to 30 June 2008 of $68 million, primarily as a result of non-cash adjustments:
  - $122 million writedown of goodwill associated with GPT Halverton; and
  - $222 million (1.5%) net reduction in asset valuations (primarily relating to Hotel/Tourism, the Joint Venture Fund and warehoused assets)
- Cash distributions of 11.4 cents per security for the six months to 30 June 2008
- Headline gearing (37.3%) and look-through gearing (46.7%) remain within policy ranges
- Liquidity position remains comfortable ($1.1 billion of funding required over the next 12 months covered by $1.4 billion of cash and other committed funding sources)
- Revised distribution policy and underwritten DRP to provide additional financing flexibility whilst non-core asset sale programme is progressed
- Simplified strategy focused on high quality Australian real estate, with traditional rental streams from property ownership complemented by development and funds management capabilities and earnings streams not available to GPT pre-internalisation
- Strategic focus on core domestic operations to be reinforced by $1.7 billion non-core asset sale programme (Hotel/Tourism, Homemaker, warehoused assets), potential exit from US Seniors and the expected orderly realisation of the Joint Venture Fund from December 2009

FINANCIAL HIGHLIGHTS

	HY08	HY07	Change
Realised operating income	**234**	**297**	**(21%)**
Change in value of investment portfolio (non-cash)	(222)	305	
Goodwill impairment (non-cash)	(122)	-	
Other adjustments (non-cash)	42	136	
Reported net profit / (loss)[1]	**(68)**	**737**	**(109%)**
Distribution per security (cps)	11.4	14.3	(20%)
	30 Jun 08	**31 Dec 07**	
NTA per security	3.68	3.86	(5%)

[1] Detailed statutory adjustments under A-IFRS provided in Appendix.

HALF-YEAR RESULT

Overview

The GPT Group (GPT) today announced realised operating income of $234 million for the six months to June 2008 (versus $297 million for the six months to June 2007) and a cash distribution of 11.4 cents per security for the half (14.3 cents per security for the six months to June 2007). The realised operating income result of $234 million was consistent with underlying net cashflow from operations of $223 million for the period, reflecting minimal capitalisation of interest within GPT's development projects.

No development profits were booked during the half, with the One One One Eagle Street development profit of $29 million to be recognised in the second half of 2008. No other development profits are forecast during the balance of 2008.

Nic Lyons, GPT's Chief Executive Officer, said the result highlighted the overall resilience of GPT's large, high quality, diversified domestic portfolio, which continued to deliver income growth. The core domestic portfolio forms the majority of GPT's real estate investments, representing more than 70% of GPT's investment portfolio, and recorded 6.4% like-for-like income growth versus the previous corresponding period (6.2% for Retail, 7.4% for Office and 5.3% for Industrial/Business Parks).

The interim result is in line with the revised full-year profit guidance provided to the market in July of $464 million. GPT confirms this revised guidance, subject to no further deterioration of operating conditions.

"Although we remain cautious given uncertainty about the outlook for global and local economic conditions, we continue to believe that our irreplaceable portfolio of high quality Australian assets will perform well given the solid sales growth exhibited by the retail portfolio and high levels of occupancy across our industrial and office assets," Mr Lyons said.

"However, we are clearly very disappointed with results this half and with our revised guidance for the full year as previously outlined to the market," said Mr. Lyons. "The impact of the credit crisis on the real estate environment, and markets everywhere, has been unprecedented in recent history, and global operating conditions remain extremely challenging. Whilst our core domestic operations have continued to perform strongly, our ability to derive development profits has been adversely affected, as has the performance of our Hotel/Tourism, US Seniors and European Funds Management businesses."

Statutory Adjustments (A-IFRS)

The $222 million net reduction in valuations for GPT's property portfolio reversed a trend in recent years of significant growth in asset values, and, coupled with the $122 million writedown of goodwill associated with GPT Halverton, was primarily responsible for the disparity between the Group's underlying realised operating income of $234 million and the $68 million statutory (A-IFRS) loss. By way of comparison, the Group's net statutory profit under A-IFRS in the previous corresponding period was $737 million, comprised of underlying realised operating income of $297 million and A-IFRS adjustments of $440 million (primarily related to valuation uplifts across GPT's investment portfolio).

Further detail on statutory A-IFRS adjustments is provided as an Appendix to this announcement.

FINANCIAL POSITION

Valuations / NTA

The $97 million (0.7%) reduction in GPT's total assets to $13.9 billion during the half was primarily the result of non-cash asset value movements and the non-cash writedown of goodwill associated with the GPT Halverton business.

Approximately 46% of GPT's Australian portfolio was externally valued during the half, with the overall valuation largely flat on the corresponding value at December 2007. The core Retail, Office and Industrial/Business Parks Portfolios delivered an aggregate valuation uplift of approximately $84 million, with solid income growth largely offsetting softer capitalisation rates (10-20bp expansion). The value of GPT's Hotel/Tourism Portfolio fell by $83 million during the period.

Asset values within the Joint Venture Fund fell by 3.7% during the period (GPT's share $130 million), with US Seniors ($24 million) and assets warehoused by European Funds Management ($70 million) also experiencing negative valuation movements.

Net tangible assets (NTA) per security declined 4.7% during the period to $3.68 due to the 0.7% reduction in value of GPT's total assets, and a higher number of securities on issue as a result of GPT's distribution reinvestment programme.

Gearing / Liquidity

GPT's gearing levels remain within policy ranges, with significant headroom under gearing-related loan covenants and targeted pathways to reduce gearing further over the next 6-12 months. Importantly, there is no recourse to GPT for debt within any of GPT's funds, including the Joint Venture Fund.

GPT is targeting a look-through gearing ratio of less than 40% over the medium-term as non-core asset sales initiatives are completed. The Group will take a measured approach to asset sales in light of current market conditions and capital management requirements.

GPT has approximately $1.1 billion of funding requirements over the next 12 months (maturing debt facilities and capital expenditure requirements) and $1.4 billion of cash and other committed funding sources. Further headroom is available from non-core asset sales ($1.7 billion) and the expected return of $163 million of preferred capital from the Joint Venture Fund in January 2009. The anticipated commencement of a formal realisation phase for the Joint Venture Fund from December 2009 is expected to result in further debt reduction, as will GPT's intended exit from its US Seniors joint venture with Benchmark.

Capital Management

In addition to non-core asset sales as a means of improving GPT's balance sheet position, the Group has also previously announced a revised distribution policy, with development profits to be retained and 90-100% of other earnings distributed. This will enhance financing flexibility and long-term growth prospects. The Group will also underwrite its DRP from the September quarter, to provide further flexibility whilst the non-core asset sale programme is progressed.

Summary

"We are committed to improving our balance sheet strength and maintaining varied funding sources in light of ongoing constraints in credit markets, and what we see as a material and long-term change in the investment market. The capital management policies we have in place, combined with our planned asset sales, are designed to enhance GPT's long-term prospects and contribute to a simplified and more transparent financial model moving forward," Mr Lyons said.

STRATEGY

Background

GPT believes that prevailing market conditions will continue for some time, and are likely to result in the A-REIT sector undergoing significant structural change. A number of sector-wide trends are becoming increasingly apparent:

(i) Balance sheet strength is of critical importance given the scarcity and cost of capital;
(ii) Simple business models with high quality, "clean" earnings streams are now clearly preferred over complex business models;
(iii) The increasing "globalisation" of capital and associated increasing influence of global REIT investors in the A-REIT sector;
(iv) A strong preference for a renewed focus on domestic operations over offshore expansion from both domestic and international investors alike; and
(v) A strong preference (particularly from institutional investors) for reduced payout ratios to sustain A-REIT business models moving forward.

GPT Response

In this context, GPT has announced a number of strategic initiatives to simplify the Group's business model over time, reduce leverage and address the demands of GPT's investor base. These initiatives include:

(i) A renewed strategic focus on core domestic operations, namely the ownership, management and development of high quality Australian real estate;
(ii) Exiting non-core investments such as the Hotel/Tourism and Homemaker Portfolios and assets warehoused for European Funds Management, and exploring exit options in relation to US Seniors;
(iii) Reducing look-through leverage to less than 40%, primarily via non-core asset sales; and
(iv) Adopting a more conservative approach to capital management, including the retention of an appropriate percentage of earnings on an ongoing basis, and a capital allocation policy reflective of GPT's focus on core domestic operations.

In addition to the strategic initiatives outlined above, GPT and Babcock & Brown remain fully committed to pursuing asset sales by the Joint Venture Fund as market conditions allow and where it is prudent to do so. GPT expects the formal realisation period for the Joint Venture to commence from December 2009.

Domestic Operations

Mr Lyons said that the simplification of GPT's business model over time recognises GPT's traditional strengths in adding value via the ownership, management and development of high quality Australian retail, office and industrial real estate.

"GPT has a long history and significant skills in adding value through the ownership, management and development of quality Australian real estate. The Retail, Office and Industrial/Business Park Portfolios, which represent the majority of the Group's investments, have continued to deliver stable returns in this period and form a strong base for future performance, as we focus our capital and strategic growth in these areas of the business," Mr Lyons said.

"In addition, GPT's strategic response to structural changes in the sector will be greatly assisted through the formation over the past two years of its two large, high quality, open-ended wholesale funds (GWOF and GWSCF), and the establishment of strong relationships with quality domestic and international institutional capital partners. These funds and direct relationships provide GPT with a significant competitive advantage given the lower cost and lower volatility of this source of capital, with GPT's co-investment philosophy ensuring alignment of interests between GPT's shareholders and its institutional partners."

Offshore Operations

As part of its strategic planning process, GPT has reviewed its offshore investments and businesses, namely US Seniors and European Funds Management (GPT Halverton and Hamburg Trust).

As a result of this review, GPT has agreed with its US Seniors joint venture partner (Benchmark Assisted Living) to explore ways in which GPT can exit this sector over time, and will reduce the capital allocated to the European Funds Management platform as it seeks to stabilise this business.

"We continue to believe in the long-term outlook for US Seniors given underlying demographic trends and the quality of our portfolio and joint venture partner. However, given the revised strategic direction announced today and the current capital constrained environment, we believe it is prudent to allocate capital to our domestic market and our core ownership, management and development business model. Market conditions in the United States are clearly challenging at present, and we acknowledge that it could take some time to exit our investment completely. Nonetheless, we are committed to working with Benchmark to ensure a mutually acceptable outcome as we realise this investment over time."

In relation to European Funds Management, GPT's priorities at present are reducing the amount of capital that we have invested in the two platforms (primarily assets previously being warehoused for future funds), and ensuring that the businesses achieve breakeven profitability as soon as possible, currently forecast for mid-2009.

"European Funds Management remains a relatively small part of GPT's overall operations, and is not overly capital intensive apart from the warehoused positions that we are currently looking to exit. We have some outstanding employees within these businesses who are dedicated to ensuring they reach profitability over the next 12 months, and we will continue to work closely with both GPT Halverton and Hamburg Trust to achieve this goal," Mr. Lyons said.

Non-Core Asset Sales

As part of GPT's strategic focus on its core Retail, Office and Industrial/Business Park Portfolios, GPT has identified $1.3 billion of Australian assets as non-core, with the Hotel/Tourism Portfolio, Homemaker Portfolio and Floreat Forum currently being marketed for sale. Inclusive of approximately $0.4 billion of assets previously being warehoused by GPT Halverton and Hamburg Trust that are now being divested, the total value of non-core assets currently being marketed for sale is approximately $1.7 billion (or approximately 12% of GPT's total asset base at June).

These non-core assets are diversified by asset class, geography and probable capital source.

In addition to the $1.7 billion of non-core asset sales outlined above, GPT also has additional capital allocated to US Seniors (approximately $0.8 billion) and the Joint Venture Fund (approximately $1.9 billion), which GPT expects to realise over time as it refines its operations and focuses on traditional strengths in the ownership, management and development of high quality Australian real estate.

JOINT VENTURE FUND

Both GPT and Babcock & Brown are fully committed to pursuing asset sales as market conditions allow and where it is prudent to do so. In the meantime, the Joint Venture Fund continues to focus on active asset management initiatives across the portfolio, which continues to deliver positive realised income after all JV debt and other costs are taken into account.

Current asset sale initiatives, if successfully completed, will see the Joint Venture Fund reduce in size by approximately $0.5 billion, and will assist in funding the first $163 million redemption of GPTs' preferred capital by January 2009. Based upon current market conditions, we also expect the Joint Venture Fund will begin a formal three year asset realisation period from December 2009, due to the triggering of a performance-related termination provision.

SUMMARY / OUTLOOK

In summing up GPT's future strategic direction and the underlying rationale, Mr. Lyons said: "The strategic initiatives outlined today will result in a simplified business focusing on the ownership, management and development of high quality Australian real estate, and a more conservative financial structure reflective of the current environment and appropriate for this business model moving forward. The quality of GPT's underlying asset base and revenue streams will be significantly enhanced, but will remain suitably diversified by asset class, revenue source and capital source to provide resilience throughout the real estate cycle. As the initiatives are progressed, we believe that we will see GPT's underlying value emerge and GPT well-positioned with good growth prospects moving forward."

"GPT remains a business that still expects to generate nearly half a billion dollars in realised operating income this year, and remains in a strong financial position with balance sheet gearing of 37%, and no recourse to GPT for debt within GPT's funds (including the Joint Venture Fund). We have approximately $14 billion of assets including an irreplaceable, diversified portfolio of high quality Australian real estate."

"GPT is currently trading at a discount to NTA of approximately 50%, which we regard as unsustainable given the quality of GPT's underlying asset base. The initiatives outlined today, while likely to take some time to execute, are consistent with the objective of GPT's management team and Board of pursuing a strategic direction that will deliver long-term value for securityholders."

- ends -

- please see following additional information –

GPT's Full Year results Presentation will be web cast via the Group's website (www.gpt.com.au) on Wednesday 27 February 2008 at 11.00am (Sydney time).

Attached:

Additional Information

For further information contact:

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ADDITIONAL INFORMATION: 2008 Half Year Results

Financial Summary

GPT's interim result of $234 million operating income is in line with the revised full year profit guidance provided to the market in July of $464 million. GPT remains confident it will achieve this guidance, with continuing strong performance from the Group's core domestic operations offsetting weakness in the Hotel/Tourism Portfolio and offshore operations.

A summary of the result compared to full year guidance is shown in the table below.

Segment	30 June 08 Actual ($m)	Dec 08 Guidance* ($m)
Retail, Office and Industrial	$259	$516
Hotel/Tourism	$23	$48
US Seniors Housing	$8	$15
Australian Funds Management	$10	$21
European Funds Management	($12)	($15)
Joint Venture Fund	$60	$125
Development	$0	$29
Corporate		($275)
- Financing	($116)	
- Other income	$18	
- Corporate overheads	($16)	
Total Operating Income	**$234**	**$464**

*Revised full year guidance announced 7 July 2008. Restated based on segment cost and tax allocations.

Balance sheet

GPT's total assets at 30 June 2008 amount to $13.9 billion, reflecting the valuation movements across the Group's asset base. The Group's total assets have fallen by 0.7% from $14.0 billion in December 2007 as a result of devaluations of $222 million and the write down of $121.8 million of goodwill. NTA per security declined by 4.9%, to $3.68 at 30 June 2008, a decrease of 18 cents from December.

At 30 June 2008 GPT's headline borrowings, of $5.2 billion, included Australian, US and Euro denominated debt. GPT's headline gearing of 37.3% and 46.7% gearing on a 'look through' basis is comfortably within the Group's policy range of 30-40% and up to 50% respectively.

The Group's Distribution Reinvestment Plan (DRP) raised $69.5 million in the six months to June 2008 through the issue of 22.4 million securities. A further $238.5 million was raised through the underwriting of this facility (for the December 2007 and March 2008 quarters).

The current weighted average interest rate across GPT's debt is 5.30% (after fees and margins) and the weighted average term is 3.5 years. Only 3.9% of current facilities require refinancing in 2008, and $1.1 billion matures in 2009. GPT has significant capacity, of $1.4 billion, under facilities already in place to replace these facilities if necessary. On a 'look through' basis the weighted average term of debt is 4.5 years.

Australian Retail

- Comparable income growth 6.2% (GPT owned assets)
- High quality portfolio with low vacancy
- Net devaluation $29 million (0.5% decline)

Through its own investments and an interest in the GPT Wholesale Shopping Centre Fund (GWSCF), GPT's retail investment totals $5.4 billion.

The Retail Portfolio has continued its strong performance over the period, with comparable income growth of 6.2% and solid sales performance. Retail sales have been more volatile during the first half with more variation on month to month results, however overall, have held up well.

Retail Sales to 30 June 2008

Total Portfolio (excluding development) (includes GST)						
	Moving Annual Turnover				Occupancy Costs (%)	
Centre	Centre MAT $PSM	Comparable Centre MAT Growth (%)	Specialty MAT $PSM	Comparable Specialty MAT Growth (%)	Centre (%)	Specialty (%)
GPT OWNED						
Casuarina Square	7,075	9.6%	9,622	5.6%	9.2%	13.6%
Dandenong Plaza	3,949	0.9%	6,395	-0.6%	10.4%	16.1%
Erina Fair	6,020	2.3%	7,113	3.9%	9.4%	18.4%
Floreat Forum	7,923	5.3%	6,077	2.7%	7.3%	14.0%
Melbourne Central	6,701	11.3%	9,138	11.3%	12.9%	14.4%
Sunshine Plaza	7,707	4.5%	10,415	5.9%	9.5%	16.2%
Westfield Penrith	6,821	5.5%	9,833	5.1%	11.1%	17.7%
Westfield Woden	7,071	5.1%	9,727	2.9%	8.9%	15.6%
GWSCF OWNED						
Carlingford Court	6,706	10.3%	8,367	-0.5%	8.2%	15.6%
Chirnside Park	7,387	4.8%	8,797	-0.4%	6.2%	13.6%
Forestway	11,937	5.9%	9,248	7.3%	6.7%	13.6%
Highpoint	6,524	4.4%	8,629	2.0%	10.8%	18.4%
Macarthur Square	5,899	8.4%	8,074	5.0%	10.3%	17.8%
Wollongong Central	5,752	-0.5%	9,277	0.7%	11.8%	15.7%
Total Portfolio	**6,508**	**5.1%**	**8,706**	**4.4%**	**9.9%**	**16.3%**
Centres under development						
GPT OWNED						
Charlestown Square	6,832	-10.2%	9,868	-13.5%	10.6%	17.8%
GWSCF OWNED						
Parkmore	5,914	13.5%	6,660	14.8%	7.6%	14.5%

Comparable retail sales growth was up 5.1% for total centres over the 12 months to June (4.5% Dec 07). Comparable specialty sales growth was also solid at 4.4% (4.0% Dec 07) and specialty occupancy costs were steady at 16.3% (16.2% Dec 07) across the GPT managed portfolio at 30 June 2008.

“We expect sales growth to be more moderate over the next 12 months as higher interest rates and higher petrol prices continue to impact negatively on consumer confidence, however this is expected to be partially offset by tax cuts in the second half of 2008. With almost full occupancy, good sales productivity and a high quality portfolio, we well are positioned to continue to deliver solid returns going forward," said Mark Fookes, Head of Retail for GPT.

A major highlight of the first half was the very successful opening of Rouse Hill Town Centre in March 2008. The project is trading well and is expected to achieve its development return targets. In addition, the asset has been very well received in the community and recently won the People's Choice Award at the 2008 Banksia Awards and the Lloyd Rees Award for Urban Design from the Australian Institute of Architects.

In July GPT continued the sell down of the Homemaker City Portfolio, commencing a sales process for the remaining seven assets. Mr Fookes said: "We bought the Homemaker Portfolio very well in 2001 on a yield of approximately 9.5% and this investment has delivered a total return of approximately 20% since acquisition."

GPT has sold seven Homemaker properties in recent years, realising $200 million and taking advantage of a significant increase in pricing. The remaining assets are of good quality and predominantly located in the attractive Brisbane market.

GPT has also appointed agents to commence a marketing campaign to sell Floreat Forum in Perth. Floreat Forum is the smallest shopping centre asset GPT owns on balance sheet and the only asset in Western Australia.

Australian Office

- Comparable income growth 7.4% (GPT owned assets)
- Over 60,000 sqm leased in six months to 30 June 2008 (GPT and GWOF)
- Long weighted average lease term of 5.6 years for managed assets (by area)
- 99% space committed
- Net revaluation $127.6 million (4.1% increase)

GPT's office investment totals $3.3 billion, including GPT's $1.06 billion investment in the GPT Wholesale Office Fund (GWOF). Across the managed Portfolio, 60,685 sqm was leased in the six months to 30 June 2008 and terms agreed over a further 7,360 sqm, resulting in occupancy of

97.4% and commitments in excess of 99% over the Portfolio, well above market occupancy of 94.9% (JLL Research June 2008).

Leasing activity included:

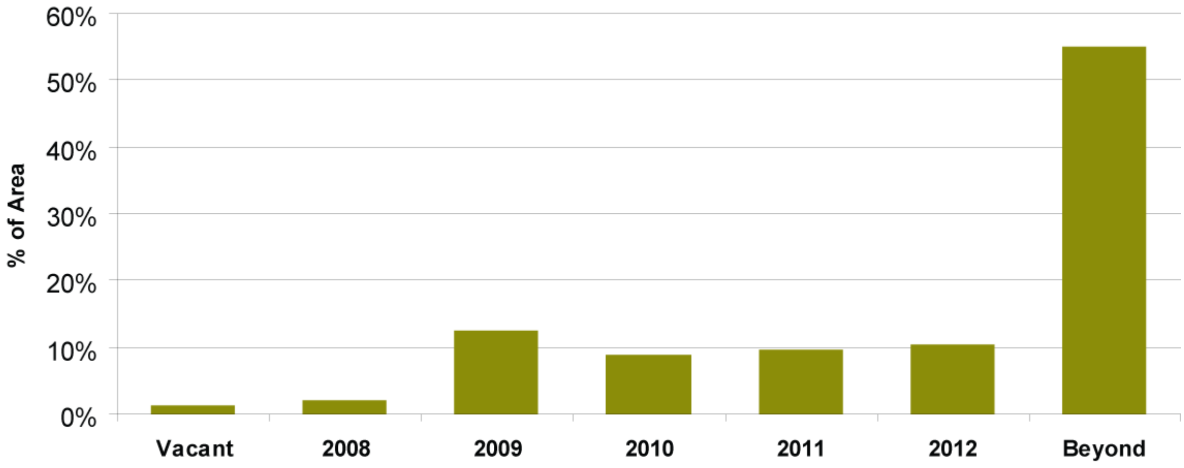
- AMP and Infosys leasing the remaining 9,500 sqm at 818 Bourke Street, Melbourne, resulting in 100% of the office space in this recently developed asset being committed.
- Accenture and Google leased all of the 16,930 sqm of office space at the 6 Green Star workplace[6] development at Pyrmont.
- Multiple leases at the MLC Centre totalling 3,390 sqm, resulting in 99.5% occupancy.
- In the GWOF assets, 5,525 sqm was leased at The Zenith, Chatswood bringing commitments up to 80.9%; 9,160 sqm was leased at 545 Queen Street, Brisbane resulting in 78% of this development being committed (due to complete in November 2008), and 7,120 sqm was leased to OZ Minerals for ten years at 28 Freshwater Place in Melbourne (due to complete in December this year).

In addition, post 30 June, significant terms have been agreed with:

- Accenture at Melbourne Central over 4,500 sqm for a further ten years from expiry in 2009.
- HSBC has renewed over 12,000 sqm at the GWOF owned HSBC Centre in Sydney for a further ten years from expiry in 2010.

Across the GPT managed Portfolio, the weighted average lease term is 5.6 years, with limited short-term expiry, providing long-term secure income with growth through further leasing, fixed increases and market reviews.

Lease Expiry by Area as at 30 June 2008 – GPT Office Portfolio (Managed Assets)



Tony Cope, GPT's Head of Office, said: "The assets continue to benefit from solid market fundamentals, with ongoing demand, low vacancy and limited supply. Valuations increased by approximately 3.8% despite a softening of capitalisation rates across the sector, supported by increased rental profiles and rental growth achieved over the half."

Construction commenced on the One One One Eagle Street development in Brisbane in May with the demolition of Indigo House, and the 63,000 sqm Premium-Grade development is on track for completion in 2011. workplace[6], which has been acquired by GWOF, remains on track for practical completion in November 2008, with the office space fully leased to Google and Accenture and the retail space along the waterfront now being marketed.

"With 99% of space committed and a unique domestic portfolio of Prime-Grade assets, which has 19% (managed Portfolio) of space subject to some form of market review in the next six months, and very limited lease expiry, the Office Portfolio is positioned to continue to deliver income growth," said Mr Cope.

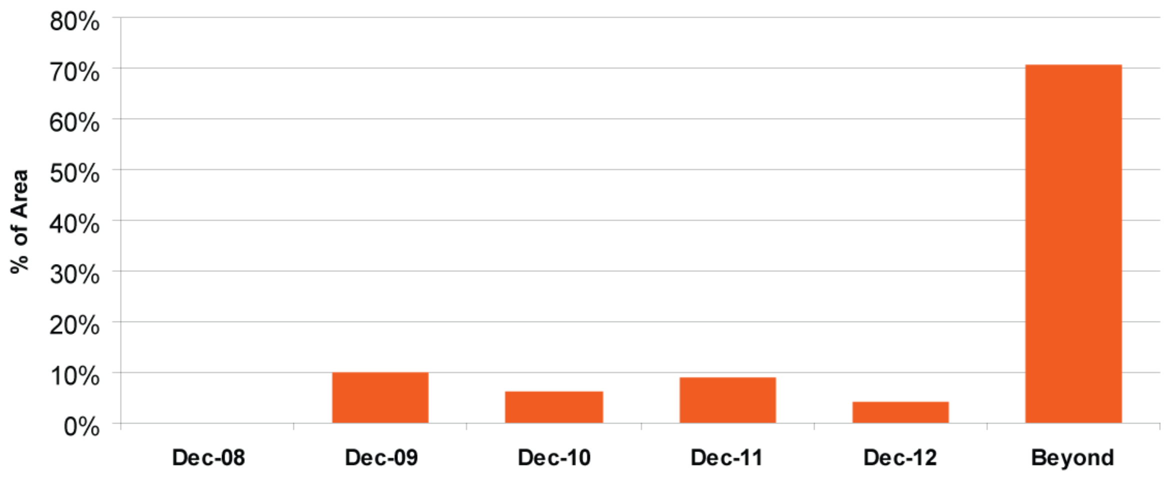
Australian Industrial/Business Park

- Comparable income growth 5.3%
- Investment assets 100% leased
- Long weighted average lease term of 7.3 years (by income)
- Net devaluation $14.4 million (2% decrease)

The Portfolio has demonstrated another period of strong performance with comparable income growth of 5.3% and ongoing leasing success leading to occupancy of 100% across the investment portfolio and a long weighted average lease term of 7.3 years (by income).

Rental growth has continued across the Portfolio and asset values have remained relatively stable, with a minor reduction of 2% in valuations at 30 June. The Portfolio now has a weighted average capitalisation rate of 7.5% and, consistent with the Retail and Office Portfolios, continued rental growth is expected to reduce the impact of further yield softening.

Lease Expiry by Income as at 30 June 2008 - GPT Industrial and Business Park Portfolio



The Erskine Park site, connect@erskinepark, settled in May 2008 and the first pre-lease was secured in July with the commitment of Goodman Fielder to a 15,000 sqm facility on a 20 year lease, due for completion in April 2009.

Further leasing activity included:

- Dairy Farmers renewed their lease over 4,800 sqm at Quad 1 commencing January 2008 for seven years.
- Post 30 June the Reject Shop leased 20,250 sqm and St Vincent de Paul leased 4,330 sqm at Citiwest Industrial Estate, Altona for three and ten years respectively.

The Portfolio continues to benefit from strong market fundamentals. Valuations remain relatively stable, despite a softening of capitalisation rates across the sector, supported by limited supply and good rental growth. GPT has a further 530,000 sqm to be developed in the Portfolio, which will drive future returns for investors.

Victor Georos, Industrial/Business Park Portfolio Manager, said: “With 100% occupancy across our investment assets and a long weighted average lease term, we look forward to delivering solid income growth over the remainder of the year.”

Australian Hotel/Tourism

- Sale process progressing well
- Portfolio represents 6% of total assets
- Net devaluation $85 million (9.6% decrease)

GPT’s Hotel/Tourism Portfolio, with a value of over $800 million, includes a collection of hotels and resorts in some of Australia’s most unique tourism locations, including Ayers Rock Resort in Central Australia as well as the Four Points by Sheraton Hotel, Sydney. In July 2008, GPT announced that it had commenced a sale process of the Portfolio.

“The sale of the Hotel/Tourism Portfolio is consistent with GPT’s decision to focus on its core portfolios,” said Bruce Morris, Portfolio Manager.

An orderly sale process has commenced starting with the sale of Four Points and marketing of the Voyages Resort Portfolio will begin in September. The Portfolio is Australia’s leading experiential based resort group with a strong brand presence and management platform. “We believe this Portfolio will appeal to a wide range of Australian and offshore purchasers,” said Mr Morris. Whilst the sale process is not well advanced, there has been a good level of enquiry across the Portfolio.

The Portfolio had a mixed result over the half. Four Points continued to perform well in a strong market, with income increasing 10.8% over the same period last year. The Resort Portfolio has been negatively impacted by the challenges facing the Australian tourism industry, however is on track to deliver income in line with guidance. Recent reductions in oil prices and the weakening of the Australian dollar are also expected to improve the demand outlook from both the domestic and international markets.

External valuations were conducted during the half over the whole Portfolio with an increase in Four Points more than offset by a decrease in the Resort Portfolio. The valuations reflect the trading conditions being experienced through the Portfolio.

US Seniors Housing

- Comparable income down 9.8%
- Average monthly rent increased 6.2% to $5,100 per month
- Average occupancy 88.5%
- Net devaluation $24 million (3% decrease)

The current state of the US economy has impacted the performance of the US Seniors Housing Portfolio during the period to 30 June 2008. Inflationary pressures, declining home values, and a rising unemployment rate have contributed to a historic low in consumer confidence in the US. As a result, seniors are delaying their move into seniors' housing accommodation. As the housing downturn continues we expect to see further modest declines in occupancy until the end of the year.

Longer term, the demand fundamentals for the Portfolio remain favourable: Seniors housing is a needs driven asset class and high quality communities located within markets with strong demographics and high barriers to entry underpin long-term demand for the Portfolio.

Martin Janes, Communities Portfolio Manager for GPT, said: "Whilst the Portfolio is currently operating in a difficult environment, driven by the slow-down in the US economy, GPT and its partner Benchmark Assisted Living are focused on stabilising occupancy within the Portfolio."

Nic Lyons, CEO of GPT, commented: "Given GPT's focus on its core domestic operations, it has been agreed with Benchmark that GPT will explore ways in which GPT can exit this sector over time."

Joint Venture (JV)

- On track to deliver income of $125 million for the full year
- Debt continues to remain secure and is non-recourse to GPT

The Joint Venture Fund (JV) comprises assets valued at $6.5 billion at 30 June 2008. The value of all assets held within the JV has been re-assessed at 30 June, resulting in book values being 2.6% lower than book cost (3.7% lower than December 2007 values).

Income from the portfolio is stable and well in excess of the cost of debt (debt service coverage ratio is 1.6 times). The JV's debt position continues to remain secure. The Loan to Valuation ratio (LTV) of the JV as at 30 June 2008 is 71% (Dec 07 – 70%). The weighted average term to maturity of the JV debt is 5.4 years, with only 6% of total debt required to be re-financed in the next 12 months. There are no LTV or other debt covenant breaches within the JV, other than the one breach previously disclosed and which represents less than 3% of the total JV debt. 50% of JV debt is subject to LTV covenants and all JV debt is non recourse to GPT.

Funds Management

- Solid operating results for Australian funds
- Streamlined GPT Halverton operations with targeted 30% reduction in cost base

Australian Wholesale Funds

In Australia, GPT has increased assets under management to $5.4 billion through the growth of the GPT Wholesale Office Fund (GWOF), launched in July 2006, and the GPT Wholesale Shopping Centre Fund (GWSCF), launched in March 2007.

The platform continues to generate good returns, with GWOF earning a full performance fee for the period and both funds providing base fees off an increased asset base.

The GPT Wholesale Office Fund now has $3.2 billion of assets under management with interests in 14 assets. The Fund has gearing of 12% and an active distribution reinvestment plan. The GPT Wholesale Shopping Centre Fund consists of interests in nine retail assets with a value of $2.2 billion. With gearing of 7%, GWSCF has capacity for further investment, including the ability to fund the development potential identified across its existing assets.

Head of Wholesale for GPT, Nicholas Harris commented: "In a challenging capital market environment, we have raised close to $100 million in new equity and entered into over $1 billion of finance arrangements, which demonstrates the strength and quality of our funds management platform."

<u>European Funds Management</u>

GPT's European funds management platform (consisting of GPT Halverton and an 80% ownership interest in Hamburg Trust) is not performing to earlier expectations as a result of extremely challenging market conditions in Europe, resulting in deferral of new fund launches. Performance is, however, tracking in line with the revised guidance disclosed to the market in early July.

As a result, GPT Halverton is targeting a reduction in its cost base of approximately 30%. The business is expected to breakeven from mid-2009. On the basis of this underperformance GPT has written down the goodwill of the Halverton business to zero.

Development

- $4.4 billion pipeline – GPT and funds
- $1.1 billion under construction

Development of high quality Australian retail, office and industrial real estate for GPT's own balance sheet and its wholesale funds is a key part of GPT's domestic operating platform. The ability to create new assets and enhance existing assets, both for GPT's balance sheet and wholesale funds under management, is a key component of the Group's strategy.

With the addition of the funds management business, developments also have the potential to create additional income for GPT through management fee streams and the realisation of development profits, whilst providing GPT with the opportunity to recycle capital and manage its balance sheet.

In addition to its experienced retail development team, GPT has created strong teams within the Office and Industrial/Business Park Portfolios. The Group has a proven track record of identifying and delivering successful developments through projects such as Melbourne Central, Rouse Hill Town Centre, workplace[6], 818 Bourke Street and the Quad precinct at Sydney Olympic Park.

The development environment does, however, face increasing challenges, including the reduced availability and increased cost of credit, softening capitalisation rates and higher construction costs. Michael O'Brien, Chief Operating Officer for GPT, said: "The environment, despite current challenges, is cyclical in nature and can change rapidly. GPT is well positioned with a very high quality portfolio of future projects which will be timed according to our ability to access capital and achieve value accretive returns measured against the risk profile of each project."

GPT Owned Developments

Overall, current and potential GPT owned projects have an estimated cost of approximately $2.8 billion in the medium term.

Key projects underway include:

- At Charlestown Square, a major expansion which will increase the Centre from 49,000 sqm to 89,000 sqm at a cost of approximately $450 million commenced in January 2008, following approval of the Development Application by Lake Macquarie City Council. This major expansion is anticipated to be complete in 2010.

- At One One One Eagle Street (formerly Indigo House), construction has commenced on a 63,000 sqm Premium-Grade 54 level office tower in Brisbane's prime commercial "Golden Triangle" precinct. GPT has previously reported the sale of a two-thirds interest in One One One Eagle Street to GWOF and an existing capital partner. The transaction realised a development profit to GPT of $29 million (to be recognized in the second half of 2008) and reduces capital allocation required by GPT going forward. The development is expected to complete in 2011.

- Practical completion at workplace[6] is due for completion in November 2008, ahead of schedule. The building will be owned by GWOF on completion, with GPT having received $106.5 million to date and the final payment of $82.2 million due to be received on completion. The six-level office building of approximately 18,000 sqm located on the waterfront at Darling Island, Sydney, has achieved a 6 star Green Star Rating for design, the first office building in NSW to achieve this rating and the office space has been fully leased to Google and Accenture on long term leases.

- The Industrial/Business Park Portfolio's $100 million Erskine Park site, connect@erskinepark, settled in May and the first pre-lease was secured in July with the commitment of Goodman Fielder to a 15,000 sqm facility on a 20 year lease, due for completion in April 2009.

Fund Owned Developments

Major developments within the Group's wholesale funds include a range of retail and office opportunities with a potential cost of over $1.1 billion. Current developments include:

- 545 Queen Street, Brisbane is due for completion in December 2008. The 13,200 sqm A-Grade, 4.5 star NABERS Energy office building will be one of the first to be completed in Brisbane in 2008, and therefore has an advantage in securing tenants in this marketplace which has extremely low vacancy and is experiencing high demand. 9,200 sqm (78%) has been committed, including Flight Centre who have leased 6,400 sqm on an eight year term. Only four tower floors remain available, and tenant interest is strong on the remainder.

- 28 Freshwater Place is due for completion in December 2008, and will provide a total of 34,000 sqm of new A-Grade space targeting a 4.5 star NABERS rating with 250 carparks. OZ Minerals earlier this year confirmed a 10 year lease over 7,100 sqm of space across the top four floors of the development. Leasing for the remainder of the building is progressing well.

- In May 2008 the New South Wales Department of Planning granted development approval for the Wollongong Central redevelopment scheme proposed by GWSCF. The GPT Funds Management Limited Board has given approval for the redevelopment, subject to meeting certain conditions precedent.

Appendix

	1H08 ($m)	1H07 ($m)	Notes
Realised Operating Income	234.0	296.7	Reduction in operating income of approximately 21%, consistent with 2008 guidance
Changes in Fair Value of Assets (non cash)			
1. Valuation increases (decreases)			
Core domestic portfolio	84.2	326.0	Very strong valuation increases 2007 vs. modest valuation increases in 2008
Hotels/Tourism	(82.6)	1.7	Reduction in value 2008 as a result of operating performance and cap rate expansion (xx%)
European goodwill and warehouse assets	(191.8)	0	1H08 reflects writedown of goodwill ($122 m) related to GPT Halverton business and reduction in value of warehoused assets
US Seniors Housing	(23.7)	0	3% valuation reduction 1H08. 1H07 assets held at cost
Joint Venture Fund	(130.1)	(19.8)	Reduced carrying value of Joint Venture as a result of 3.7% valuation decrease 1H08
2. Financial instruments mark to market to 30 June market value	61.9	167.6	Mark to market of all derivatives, reflecting valuation for accounting purposes at 30 June (values not realised)
Other Items	(19.6)	(35.1)	Includes tax, non cash revenue adjustments, external minority interests
Net profit/loss after tax	(67.7)	737.1	Difference (1H07 vs 1H08) reflects the impact of variance in non cash adjustments noted above