

ASX ANNOUNCEMENT (VPG)



6 June 2005

VALAD (ASX: VPG) ADDS \$100M IN AUM THROUGH MANAGEMENT JV WITH HARDIE HOLDINGS

VALAD CO-INVESTS 10.25% IN 3,200 HA HEZ DEVELOPMENT FUND

Valad Property Group and Hardie Holdings announce:

- the establishment of a funds management joint venture to manage Valad's 12th fund which owns the HEZ estate, adding \$100 million in assets under management and bringing Valad's AUM to \$1.6 billion; and
- a \$10.25 million co-investment in the Fund by Valad.

Overview

The Fund owns the Hunter Economic Zone (HEZ) – at 3,200 ha HEZ is Australia's largest contiguous business estate and is located in the greater Newcastle area. HEZ has 900 ha of zoned developable land and 2,300 ha of surrounding bushland for conservation and recreation uses, providing a buffer for 24/7 industrial operation.

The joint venture between Valad and Hardie Holdings will manage the 3,200 ha HEZ estate creating Valad's 12th fund adding \$100 million to Valad's AUM.

'The HEZ project will see the development of in excess of \$3.5 billion of industrial and commercial property in the Hunter Region,' says Peter Hurley, Managing Director of Valad. 'The joint venture management company will manage HEZ for the life of the project, estimated to be 15 years.'

When fully developed HEZ is expected to employ over 26,000 people, turnover approximately \$3.2 billion annually and contribute \$1.1 billion annually through wages and salaries. Completed building space will exceed 4,000,000sqm.

'HEZ has the potential to be the best industrial estate in the State,' says Councillor John Clarence, Mayor of Cessnock. 'We welcome good sustainable industry, especially if it is employment generating for the Hunter.'

Valad will invest \$10.25 million in the Fund which is Valad's 12th managed fund. 'From the outset HEZ will contribute management fees to Valad,' says Hurley. 'We expect HEZ to be EPS positive from 2006 onwards.'



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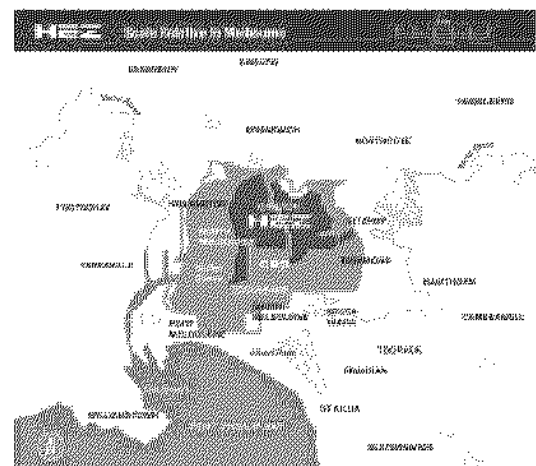
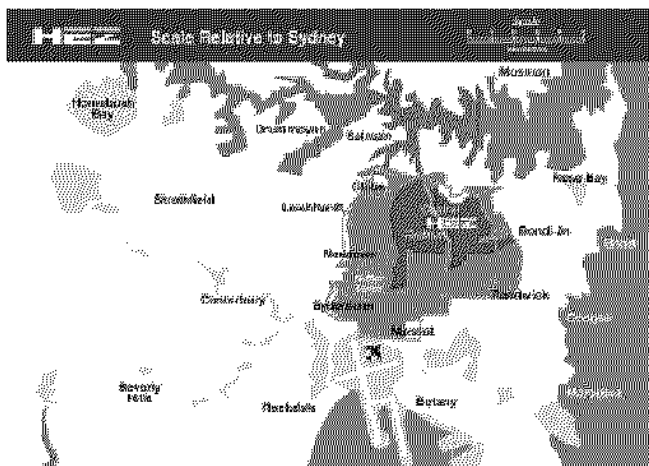


'In addition to investment and management returns HEZ provides a 15 year pipeline of development opportunities for Valad,' says Hurley. Development funding will come from lot sales, pre-lease and turnkey developments, and other capital sources.

'Significant interest to date has resulted in the sale of 46 ha with a further 113 ha under investigation by potential buyers,' says Max Mawhinney, Executive Director at Valad. Sales to date include: 29ha to the Hunter Land Group for development of a light-industrial precinct; a parcel to Hunter Ready-mix Concrete for a batching depot; and up to 5 ha for a wholesale nursery.

'Valad brings significant market leading property funds management and development skills to HEZ,' says Duncan Hardie, Managing Director of Hardie Holdings. 'We have fostered this project for over nine years and with Valad as a managing joint venture partner we are well prepared for the next phase of growth.'

HEZ Size Relative to Sydney / Melbourne



Superior Economics

'Similarly subdivided industrial land in Sydney costs in excess of \$400 per square metre compared to HEZ from \$60 per square metre,' says Hurley. 'At 15% of the cost of Sydney land we see superior affordability, and proximity to Sydney, Brisbane, and the port of Newcastle, as the major factors that will attract significant investment and tenant participation to the region.'

'These differentials will feed directly back to the bottom lines of those that take the opportunities HEZ has to offer, whether as investors, owners, or tenants,' says Hurley. 'Proximity to Sydney and Newcastle means businesses have an extended workforce from which to draw at lower costs, with greater advantage through significantly cheaper rents and properties.'



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HEZ and the Hunter Region

'The Hunter is receiving significant interest from developers and investors who see it as a great place to be,' says Councillor Clarence. 'The Cessnock Local Government Area has it all, from its wine/tourist industry, excellent lifestyle, to the largest business estate in Australia.'

'HEZ site zonings will support a range of uses including industrial, commercial, logistics and distribution, and manufacturing,' says Mawhinney. 'The master plan which has been developed will create a huge commercial and industrial employment precinct with all the amenities of community, residential and retail services, in immediate proximity to the town of Kurri Kurri, and Newcastle.'

'The 2,300 ha of conservation zonings which includes parts of the Werakata National Park, make HEZ a unique site in Australia as the majority of land remains bushland for recreational and environmental purposes,' says Hardie. 'The marketability of the HEZ estate is significantly stronger because of this incorporated conservation land, and its proximity to the city lifestyle of Newcastle.'

History

'The HEZ project is the result of over nine years of cooperation between HEZ, Cessnock Council, Westpac, Indigenous Business Australia, CBUS and the NSW and Federal Governments in establishing a nationally significant economic zone in the Hunter Region,' says Hardie. 'The Hunter Region will be the target of significant government initiatives to develop regional residential and commercial centres.'

'Hardie Holdings have been working in the Hunter Region for over fifteen years on development projects bringing employment and investment to the region,' says Councillor Clarence.

HEZ began in the 1990's when Cessnock City Councillors and the NSW Department of State and Regional Development identified the site as having State economic development significance. The site was rezoned in 1999 and gazetted in 2002. Infrastructure and development works were launched by Premier Bob Carr in 2003, and the development masterplan was completed. Electricity and gas upgrades and HEZ estate infrastructure is due for completion this year.

Location

HEZ is located some 120 kilometres north of Sydney and 40 Kilometres west of Newcastle. The property is immediately bound by the village of Weston and the town of Kurri Kurri, and is about 10 kilometres east of the city of Cessnock.

The main access will be via the F3 Freeway and John Renshaw Drive. The Federal Government has recently committed to the extension of the F3



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bypassing Maitland and providing a direct link to the New England Highway. This will significantly improve access to HEZ.

Rail links to the national grid with excess container capacity to Port Newcastle, Port Botany and Western Sydney. National rail lines adjoin HEZ with an easement for a rail spur available into the site. Newcastle airport is 30 minutes from HEZ.

Maps and information are available on the HEZ website – www.hez.com.au

Contacts		
Peter Hurley Managing Director Valad Property Group Tel: 61 2 8257 6608 Mob: 0412 422 002	Duncan Hardie Managing Director Hardie Holdings Ltd Tel: 61 2 9233 2588 Mob: 0418 222 424	Councillor John Clarence Mayor of Cessnock Cessnock City Council Tel: 02 4993 4217 Mob: 0401 107 499

Media	Investors / Analysts
Andrew Johnstone Corporate Affairs Valad Property Group Tel: 61 2 8257 6609 Mob: 0413 772 454	Guy Farrands Head of Corporate Development Valad Property Group Tel: 61 2 8257 6607 Mob: 0416 198 371

About Valad

Valad Property Group (ASX Code: VPG) is a stapled security combining a listed property trust and a funds management company, with total assets under management in excess of \$1.5 billion including 58 properties, and a market capitalisation of approximately \$600 million. The listed property trust, Valad Property Trust, has approximately \$600 million in stable income generating property assets. The funds management company, Valad Funds Management, offers property investments across a range of risk/return profiles from passive portfolios to specialist and value-adding investment opportunities, and is Australia's leading manager of value-adding property funds.

About Hardie Holdings

Hardie Holdings has been at the forefront of the Australian property development business for over 20 years. Hardie Holdings currently has 40 active projects, and a pipeline of over 40,000 residential lots. The property and asset portfolio includes both passive and active investments, developments, rural & tourism, conservation, industrial, commercial and state significant infrastructure. HEZ is one of the larger projects being carried out by Hardie Holdings - the group has spent over nine years developing the HEZ project from a raw site to a fully master planned, rezoned and serviced industrial development precinct.

