

Media release

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**MACQUARIE MEAG PRIME REIT
DISTRIBUTABLE INCOME
EXCEEDS IPO FORECAST**

Macquarie MEAG Prime REIT

Highlights

- Net property income of S\$19.4 million exceeds IPO forecast by 8.4%; gross revenue up 5.0% to S\$25.2 million
- Distributable income of 1.58 cents per unit exceeds IPO forecast by 12.1%, giving annualized trading yield of 5.86%¹
- Higher office rentals at Ngee Ann City and F&B revamp at Wisma Atria boost revenue; organic growth, asset enhancements and acquisitions to drive future growth

SINGAPORE, 1 February 2006 – Macquarie MEAG Prime REIT (MMP REIT) today announced it has surpassed the income and distribution forecasts made during its Initial Public Offering (IPO) in September 2005.

For the period August 8 to December 31 2005, it reported net property income of \$19.4 million, 8.4% higher than the \$17.9 million forecasted in its IPO prospectus. The higher income was achieved on the back of a 5.0% increase in gross revenue to \$25.2 million during the same period.

¹ Based on last traded price of \$0.955 per unit as at 27 January 2006.

Franklin Heng, Chief Executive Officer of Macquarie Pacific Star Prime REIT Management Limited, which manages MMP REIT, said the strong results were largely due to higher rental income from the office portfolio and better than expected retail income from Wisma Atria.

He added: “Our active asset management has boosted portfolio occupancy while lowering leasing expenditure and property upkeep expenses. Together with better debt management, we have managed to keep overall costs down.

“We are particularly pleased with the impressive jump in office occupancy at Ngee Ann City and with its sustained ability to command higher rental rates than other offices along Orchard Road.

“Food Republic, our much talked-about new food court at Wisma Atria, was an instant hit and underlines our commitment to actively manage our assets to keep them relevant to changing consumer needs.”

For the current financial year, Mr Heng expects upcoming lease expiries and the introduction of variable rent structures to position MMP REIT to capitalize on favorable market conditions.

Overview of MMP REIT’s financial results

	Actual	Forecast	% Change
Statement of total return for the period ended 31 December 2005	(8 August 2005 to 31 December 2005)²	(20 September 2005 to 31 December 2005)	
Gross revenue (S\$’000)	25,209	24,004	5.0%
Net property income (S\$’000)	19,437	17,935	8.4%
Distributable income (S\$’000)	14,911	13,265	12.4%
DPU (cents)	1.58	1.41	12.1%

² Although MMP REIT was constituted on 8 August 2005, the acquisition of the Properties was only completed on 20 September 2005 and it was officially listed on the Singapore Exchange Securities Trading Limited on 20 September 2005. Consequently, the actual income derived from the Properties for the current period was from 20 September 2005 to 31 December 2005. The results of MMP REIT during the period from 8 August 2005 to 19 September 2005 was insignificant.

	Actual (8 August 2005 to 31 December 2005)	Forecast (20 September 2005 to 31 December 2005)	% Change
Annualized distribution yield			
- based on IPO price (S\$0.98 per unit)	5.71%	5.10% ³	
- based on 27 January 2006 closing price (\$0.955 per unit)	5.86%	5.23%	

Unitholders' distributions are 12.1% higher than expected at 1.58 cents for the period ended 31 December 2005. This translates to an annualized trading yield of 5.71% against the IPO forecast of 5.12% (based on IPO price of \$0.98 per unit).

The Wisma Atria Property at Orchard Road and its neighboring office and retail property, Ngee Ann City Property, were valued at \$1.327 billion by Jones Lang LaSalle (JLL) as at 31 December 2005, representing a 1.84% increase over the \$1.303 billion value at 28 February 2005. The higher value raised net asset value per unit as at 31 December 2005 to \$0.99. The proforma net asset value per unit as at 31 December 2004 was \$0.94.

Portfolio occupancy climbed to 97.2% as at 31 December 2005 (up from 92.1% as at end January 2005) with retail and office occupancies at both properties exceeding forecasts.

Healthy demand for prime retail space and the completion of the food and beverage (F&B) revamp at Wisma Atria, helped push the retail portfolio occupancy to 100%. Strong results were also recorded in the office portfolio where occupancy at both Wisma Atria and Ngee Ann City offices rose above 90% by end December 2005. Most notably, office occupancy at Ngee Ann City jumped from 78% as at 31 January 2005 to 94% as at 31 December 2005.

³ Yield differs from Forecast 5.12% due to mathematical rounding

Commenting on the strong occupancy, Mr Heng said it had been a particularly active year for office leasing. "A total of 80 new and renewal leases were secured from 1 February 2005 to 31 December 2005, of which 57% were office leases as measured by net lettable area. Importantly, the new weighted average office rental rates were generally higher than those of Orchard Road." On Wisma Atria, Mr Heng said: "The revamped F&B concept at Wisma Atria has helped to increase shopper traffic by 4.5% over 2004 to 22.1 million in 2005, while the proportion of total retail gross rent attributed to F&B has increased over the year, leading to a more diversified retail trade mix."

F&B accounted for 7.3% of total retail gross rent of the two properties as at 31 December 2005, compared with 6.2% as at 31 January 2005. Importantly, almost all the F&B leases have a turnover rent component.

Prudent debt management also contributed to the excellent result by reducing borrowing costs. Actual all-in annual interest costs were a low 3.26%, compared to forecasts of 3.42%. Further, close to 97% of existing debt has been locked in at fixed all-in interest rate of 3.26% till 2010. This helps to protect future distributions from changes in interest rates.

Outlook

Mr Heng said organic growth, asset enhancement plans and acquisitions in key priority markets would underpin performance in 2006. He expects MMP REIT to deliver at least 5.25 cents per unit as projected in the IPO prospectus, barring unforeseen circumstances.

Organic growth is expected to come from more variable retail leases and higher office occupancy. Future retail leases will, where appropriate and possible, have a variable component comprising a base rent and a turnover rent. As at 31 December 2005, 33% of Wisma Atria's retail leases (by net lettable area) featured a variable component compared to nil as at 31 January 2005.

Strong rental growth is expected from the office portfolio, where average rents of expiring leases are below current market rates. With an improving office sector outlook for 2006, rental upside is expected as the current office occupancy of 92.8%⁴ grows.

Mr Heng noted that the asset enhancement plans for Wisma Atria will continue to evolve in the year ahead. "We plan to reposition Wisma Atria following the completion of our F&B concept as part of our asset enhancement roadmap for the mall," he said.

"This will involve adjusting the tenant mix to further enhance the mall's appeal, as well as reconfiguring shop sizes for better shop frontage."

On acquisitions, Mr Heng commented that apart from Singapore, efforts will also be directed at seeking yield-accretive investments in the capital and gateway cities of major regional Asian countries such as Japan, South Korea, China, Hong Kong, Taiwan and India in the North Asian region to Malaysia, Indonesia, Thailand and the Philippines nearer home.

In relation to the initial public offering of MMP REIT units in September 2005, the joint financial advisors were DBS Bank Ltd ("DBS Bank"), J.P. Morgan (S.E.A.) Limited ("JP Morgan") and Macquarie Securities (Asia) Pte Limited. The joint lead underwriters and bookrunners were DBS Bank, Deutsche Bank AG, Singapore Branch, JP Morgan and Macquarie Securities (Singapore) Pte. Limited.

About Macquarie MEAG Prime REIT

MMP REIT is the first Singapore real estate investment trust to own two landmark properties on Orchard Road, Singapore's premier shopping and tourist precinct. MMP REIT owns 74.23 per cent strata title interest in Wisma Atria ("Wisma Atria Property" and 27.23 per cent strata title interest in Ngee Ann City ("Ngee Ann City Property"). Both properties have been awarded Superbrand status for the Shopping Centre category in the Superbrands Singapore Awards 2004/2005. MMP REIT's principal investment strategy is to invest primarily in prime real estate used mainly for retail and/of office purposes, in Singapore and overseas.

*MMP REIT is managed by an external manager, **Macquarie Pacific Star Prime REIT Management Limited**, which is 50 per cent owned by Macquarie Bank Limited of Australia, 25 per cent owned by ERGO Trust GmbH of Germany and 25 per cent owned by Investmore Enterprises Ltd.*

⁴ As at 31 December 2005

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The past performance of MMP REIT is not necessarily indicative of the future performance of MMP REIT.

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