

During the quarter to 30 September 2009, Australand has continued its focus on consolidating and building upon its strong capital and liquidity position. Each division has made strong progress towards meeting their 2009 financial year targets and is being positioned to take advantage of the improving economic environment for 2010 and beyond.

MARKET UPDATE

Over the last quarter we have continued to see signs of stabilisation and improved sentiment in the property sector. We remain cautiously optimistic that this positive momentum will be maintained in line with the expected improvement in economic conditions. A brief summary of the key markets in which we operate follows:

RESIDENTIAL

- First home buyer demand is slowing with the winding back of the first home buyers boost at the end of September. However, interest from second and third time buyers and investors has significantly improved on the backdrop of improved consumer sentiment and the positive outlook for the Australian economy.
- Median home prices increased in all key capital cities this quarter, with the strongest growth recorded in Melbourne (+5.0%), followed by Sydney (+2.8%), buoyed by strong population growth and continued undersupply of new dwellings.
- Perth also saw a strong rebound (+4.1%) in line with the strong sentiment for the resources sector in WA.
- Housing affordability remains positive despite the recent interest rate rise, and expected rises in the near term.

INDUSTRIAL

- While demand has remained weak for much of 2009, there are early signs of improvement in pre-lease enquiry from the larger space users seeking quality industrial/logistics accommodation.
- Supply remains constrained and vacancy rates relatively low.
- With demand closely linked to trade and economic activity we expect to see further improvement in demand in 2010 in line with improving economic activity.
- After an increase of 150 – 200 basis points in yields from the peak in values we are starting to see yields stabilise and investors returning to the market.

OFFICE

- The office market remains challenging with yields having softened to a level that is now close to the long term average.
- Tenant demand remains weak and is not likely to improve until we see growth in employment.
- The Melbourne and Sydney markets remain well positioned for the inevitable upturn with limited new supply coming to market over the next two years.

OPERATING PERFORMANCE

RESIDENTIAL DIVISION

As at 30 September 2009, the Residential Division had 14,500 lots in its development pipeline comprising land communities, housing and apartment developments. The pipeline is geographically diversified across the capital cities of Australia's eastern seaboard and Perth.

Key highlights for the Residential Division include:

- Approximately 1,800 contracts exchanged (land, housing and apartments) year to date to 30 September 2009, with sales revenue of approximately \$700 million.
- Strong sales over the quarter, particularly in Melbourne and Sydney with over 780 contracts in wholly owned and joint venture projects valued at over \$318 million.
- Completion of North (Milsons Point, NSW) and Pavilions Stage 1 (St Leonards, NSW) with settlements to date of \$114 million.
- Appointed as preferred developer for a 320-dwelling housing redevelopment opportunity in Victoria.
- The appointment by the State of Victoria's Office of Housing to develop 550 apartment units in Carlton, Melbourne with projected end realisation of over \$300 million under a joint venture with St Hilliers and Citta.

“ There are early signs of stabilisation and improvement in the economy, although risks remain. ”

COMMERCIAL & INDUSTRIAL DIVISION

Australand's Commercial & Industrial Division continues to maintain a market leading position in the industrial sector due to its diversified operating platform. The Industrial pre-lease market remains challenging resulting in a current focus for the Commercial & Industrial Division on land subdivision and turnkey projects for owner occupiers.

Key highlights for the Commercial & Industrial Division include:

- Freshwater 28, Southbank now 88% leased following the successful conversion of the BASF tenancy totalling 1,750sqm.
- The new \$42 million Heinz distribution facility comprising 32,000sqm of net lettable area is currently under construction and is forecast to be completed by year end, ahead of schedule.
- In the last quarter the industrial land markets in Victoria and Queensland have experienced renewed transaction activity and Australand has sold approximately 150,000sqm of land.

INVESTMENT PROPERTY DIVISION

As at 30 September 2009, the Investment Property Division had a total portfolio value of approximately \$2 billion comprising 68 properties and a total lettable area of 1.2 million sqm. The Investment Portfolio continues to underpin our distribution with secure, predictable earnings. Portfolio occupancy remains strong at 98% with a weighted average lease term of 6 years.

Key highlights for the Investment Property Division include:

- Successful conversion of a number of key tenancies including Diageo (15,000sqm) at Erskine Park, Sydney and CSR (10,000sqm) at Melbourne Airport Business Park, Tullamarine;
- Asset sales totalling \$150 million have been completed in the last 12 months.

The appetite for investment property is improving with private buyers dominating acquisitions under \$30 million. Whilst institutional interest remains limited at present there are early signs that institutional demand may re-emerge in 2010.

THE GROUP

Australand has continued its focus on actively managing its capital position. The proceeds from the \$475 million Entitlement Offer in July 2009 were used to reduce debt and strengthen the balance sheet.

Pro forma gearing post the receipt of the Entitlement Offer proceeds is approximately 27%. Continued strong operating cashflows are expected to maintain or improve this position at year end.

The equity raising has strengthened Australand's liquidity position allowing us to selectively take advantage of opportunities as they emerge.

FY09 GUIDANCE

Australand confirms the guidance previously provided at the half year, whereby the 2009 Group Operating Profit after tax, excluding unrealised gains/losses from property revaluations and impairments, is expected to be approximately \$120 million.

The Group expects to pay a further distribution of 2.0 cents per stapled security for the second half, resulting in a full year distribution of 5.0 cents for the year ending 31 December 2009.

FURTHER INFORMATION

Further information on Australand is available in the Investor Centre section of our website at www.australand.com.au.

We would like to thank you, our securityholders, for your continued support and confidence in the Group.

Yours sincerely



Bob Johnston
Managing Director



Lui Chong Chee
Chairman



Bob Johnston, Managing Director and
Lui Chong Chee, Chairman

SECURITYHOLDER CALENDAR

18 December	December half year dividend / distribution announcement.
23 December	Stapled securities trade ex-dividend / distribution for final 2009 distribution.
31 December	December half year 2009 dividend / distribution record date.
9 February 2010	Full Year 2009 Results Announcement

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