Australand

3Q10 UPDATE

AUSTRALAND

During the quarter to 30 September 2010, Australand has continued to benefit from the improvement in economic conditions witnessed over the first half of 2010. Each division has made strong progress on meeting their 2010 financial year targets and the Group continues to be positioned to deliver earnings growth in 2011.

RESIDENTIAL DIVISION

The Residential division has continued to see strong activity levels in the quarter. Sales remain on track to reach full year targets and the division continues to hold a significant number of contracts on hand providing more certainty, visibility and support for a return to growth in 2011.

Key highlights for the Residential Division include:

- Achievement of 1,010 lot sales [1] year to date to 30 September 2010 (up from 801 lot sales at 30 June 2010).
- 1,810 contracts on hand [2] as at 30 September 2010 (up from 1,243 at 30 June 2010). Approximately 65% of these contracts are expected to settle before year end. Forecast lot sales for the full year are now approximately 90% secured.
- In Melbourne, documentation has been finalised for the development of 200 medium density homes in partnership with the Office of Housing at Westmeadows in Melbourne's north-west. Strong pre-sales have been achieved at the Parkville project (40% pre-sold within two weeks of release). Other new project commencements remain on track for delivery of first revenues in 2011.
- In Sydney, the division successfully achieved the rezoning of 124 hectares of land on the Kurnell Peninsula. The site is expected to yield approximately 230 new homes. Pavilions on the Park, St Leonards was awarded the best medium density development at the Urban Development Institute of Australia (NSW) Awards for Excellence and Australand's North project at Milsons Point was recognised by the Urban Task force for excellence in conversion of a commercial building to residential apartments.
- In Perth, strong pre-sales have been achieved at Cockburn Central (40% pre-sold). Improved sales volumes have been delivered following the successful replanning at Yanchep, to refocus the site on more affordable product.
- In QLD, the division has acquired its joint venture partner's interest in the COVA Project on the Gold Coast providing an opportunity to reposition the project. Construction has commenced at the Yungaba project at Kangaroo Point in Brisbane, however, wet weather has hampered the rate of progress to date. First settlements on this project are not expected until the end of 2011.
- Nationally, demand remains strong for well-positioned product, offered at affordable price points. Demand in the Sydney and Melbourne markets is particularly strong. Perth remains relatively subdued except at more affordable price points. Brisbane continues to be challenging, with weak sentiment in key sectors such as tourism being impacted by the strong Australian dollar.

The Residential division is well positioned with its pipeline weighted to the Melbourne market and a continuing focus on delivering an affordable product range. The division remains on track to deliver a 2010 EBIT contribution in line with 2009 and continues to position itself for growth in 2011.

COMMERCIAL & INDUSTRIAL DIVISION

The Commercial & Industrial division continues to demonstrate its fully integrated capabilities and market strength with over $450 million of projects committed and underway and 300,000 sqm of land sales contracted in the year to date to 30 September 2010.

Key highlights for the Commercial & Industrial Division include:

- The commencement of the repositioning of 357 Collins Street. With limited new supply in the Melbourne CBD and prime vacancy rates expected to contract in 2011 and 2012, Australand is well positioned to benefit from the demand for A-Grade office space and favourable leasing conditions.
- In the industrial sector, trading conditions continue to improve reflecting renewed confidence and a more optimistic outlook for customers. Tenant enquiry is strengthening, driven by a focus on extracting supply chain efficiencies, particularly in the retail, logistics and manufacturing sectors.
- Planning approval has been received for Stage 3 of Eastern Creek Business Park in Sydney. Construction is underway for three new facilities totalling in excess of 100,000 sqm, including facilities for Kmart and Best & Less .
- Construction has commenced for a new 10,000 sqm pre-lease with RF Industries completing the development of our Seven Hills site in Sydney.
- Strong land sales at The Key, Keysborough in Melbourne with 78,000 sqm sold within 3 months.
- Continuing activity at West Park Industrial Estate in Melbourne with land sales of 62,000 sqm year to date to 30 September 2010, the sale of the 26,000 sqm Boundary Rd multi-tenanted facility for $21 million and the sale of the 7,000 sqm Extrusions facility for $7 million.

"Each division has made strong progress on meeting their 2010 financial year targets and the Group continues to be positioned to deliver earnings growth in 2011."

- Construction of a new 27,000 sqm speculative distribution facility, at Greens Rd, Keysborough in Melbourne, has commenced targeting a 4-star Green Star rating.
- As part of the selective restocking strategy, the division secured a further parcel of land (30 ha) adjoining Stage 3 of our Eastern Creek Estate, in Sydney for $35 million and approximately 5 ha of fully serviced land at Larapinta, QLD for $12m.

The C&I division is well positioned with two-thirds of the industrial pipeline fully serviced and 100% of the pipeline zoned. The division continues to position itself for growth in 2011.

INVESTMENT PROPERTY DIVISION

The Investment Property division continues to provide secure and predictable earnings to complement the Group's development activities. The portfolio underpins the Group distribution, and the income stream it provides remains secure with occupancy of 98% and a weighted average lease term of 5.2 years at 30 September 2010.

Key highlights for the Investment Property Division include:

- Approximately, 15,000 sqm of leasing activity across the portfolio including the conversion of two new tenancies, CSR (7,000 sqm for 11 years) at Seven Hills, NSW and TNT (5,600 sqm for 10 years) at Adelaide Airport, SA. Also secured were several leasing renewals and new leases at Freshwater Place and Freshwater 28 in Melbourne.
- Completion of a 14,000 sqm distribution facility in QLD leased to Kimberly Clark for 10 years.
- Progress has also been achieved in obtaining appropriate energy ratings for the portfolio including a 5.0 star NABERS rating for Building A, at Rhodes Office Park and a 4.5 star rating for the Gateway Building in Sydney.

The Investment Property portfolio will continue to underpin the Group's commitment to delivering 60-70% of its earnings from recurrent sources.

THE GROUP

BOARD CHANGES

In September, Australand announced changes to the Board including:

- The retirement of Deputy Chairman and Lead Independent Director Mr Jim Service, AO effective from 31 December 2010.
- The appointment of Mr Paul Isherwood, AO as Deputy Chairman and Lead Independent Director, effective from 1 January 2011.
- The appointment of Ms Nancy Milne, OAM as a new independent non-executive director, effective 1 October 2010.

In announcing the changes, the Chairman, Mr Lui Chong Chee said, "These changes are another step in Australand's process of Board renewal whereby we will seek to maintain an appropriate balance of skills, experience, and expertise on the Board. This is positive for Australand, our securityholders and our market stakeholders".

GROUP STRATEGY

The Group continues to make strong progress towards achieving its stated strategic objectives. These include:

- Targeting 60%-70% of Group earnings before interest and tax from recurrent earnings;
- Improve the development divisions' return on average capital employed to at least 12% by 2012; and
- Maintain gearing within a target range of 25%-35%.

The Group remains well positioned to deliver on these strategic objectives.

GLOBAL INDUSTRY CLASSIFICATION STANDARD CHANGE

On 3 November 2010, Standard & Poors informed its subscribers that, effective 1 December 2010, Australand's Global Industry Classification Standard (GICS) status would be reclassified from Real Estate Development (GICS code 40403030) to Diversified REIT (GICS code 40402010). This reclassification may lead to Australand being included in the S&P/ASX 200 A-REIT and S&P/ASX 300 A-REIT Indices. Australand's Managing Director, Bob Johnston said "We are pleased with the reclassification of the Group as a Diversified REIT by Standard and Poors as this reflects the strategic direction of the Group as announced earlier in the year."

FY10 GUIDANCE

In line with previous guidance, it is expected that Group operating profit will be similar in 2010 to that achieved in 2009. The Group expects to pay a distribution of 10.5 cents per security for the second half, resulting in full year distributions of 20.5 cents per security.

The fundamentals for the residential, commercial and industrial sectors remain positive, and the Group is well positioned to achieve its 2010 earnings guidance and deliver growth in 2011.

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

1. Represents wholly owned and 100% of joint venture projects and PDAs. Wholly owned and Australand's share of joint venture projects and PDAs was 688 lot sales.
2. Represents wholly owned and 100% of joint venture projects and PDAs. Wholly owned and Australand's share of joint venture projects and PDAs was 1,195 contracts on hand.

SECURITYHOLDER CALENDAR

21 December	December half year dividend / distribution announcement.
24 December	Stapled securities trade ex-dividend / distribution for final 2010 distribution.
31 December	Final 2010 dividend / distribution record date.
15 February 2011	Full Year 2010 Results Announcement

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