



Bunnings Warehouse Property Trust

Half-year results 2010/11

February 2011

Presentation outline

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Limited

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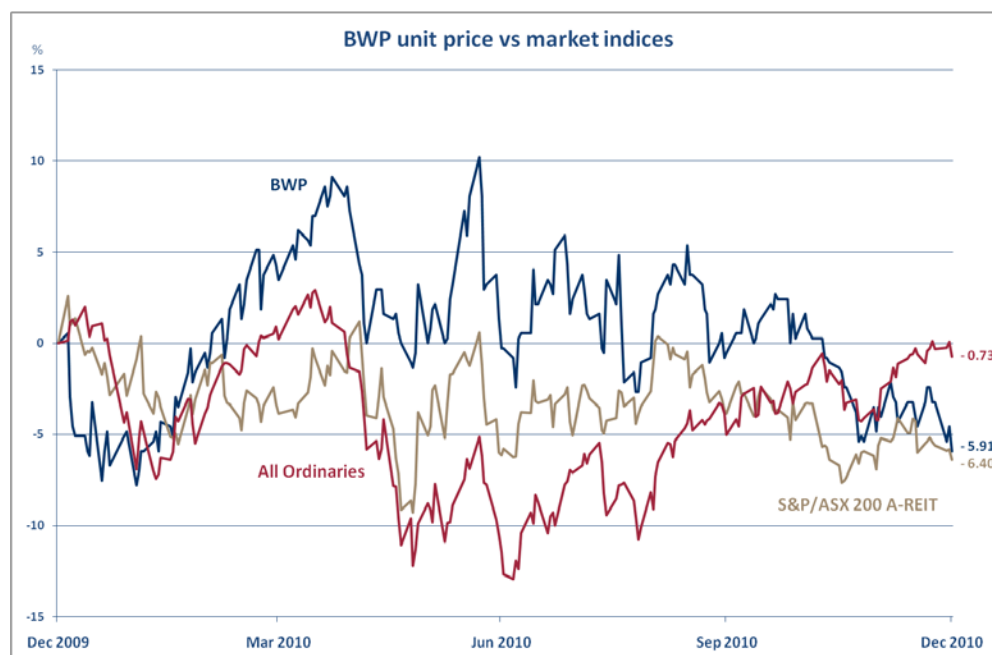
Bunnings Property Management
Limited

- Overview
- Results
- Portfolio
- Capital management
- Outlook
- Governance

Overview






- **BWP in good shape and looking for opportunities**
 - BWP performs in line with the benchmark S&P/ASX 200 A-REIT index for unit price and total returns for 12 months ended 31 Dec 10 (see charts - right and next page)
 - Solid revenue and distributable profit growth over comparable period
 - Portfolio cap rates stable, with rental growth essentially resulting in \$28.2m revaluation gain for the half-year
 - NTA of \$1.96 per unit (up from \$1.88 at 30 June 2010)

BWP unit price vs S&P/ASX 200 A-REIT index & All Ordinaries index



Source: Reuters, rebased to 100
1 performance for the twelve months ended 31 Dec 2010

Results – performance vs PCP

	Half-year 2011		Previous corresponding period
Revenue	\$40.4 million		3.6%
Net profit/(loss) including revaluations	\$54.2 million		\$41.1 million
Distributable profit (excluding revaluations) ¹	\$26.4 million		4.5%
Half-year distribution ²	6.18 cpu		1.3%
Total assets	\$1,077.0 million		9.1%
Borrowings	\$193.6 million		\$189.8 million
Net tangible assets	\$1.96 per unit		\$0.13 per unit
Weighted average cap rate	7.62%		7.78%
Gearing (debt to total assets)	18.0%		19.2%
Covenant gearing (debt + n.c.l to total assets)	18.0%		19.5%

^{1,2} Includes \$0.4m (0.09cpu) capital profit on sale of Canning Vale

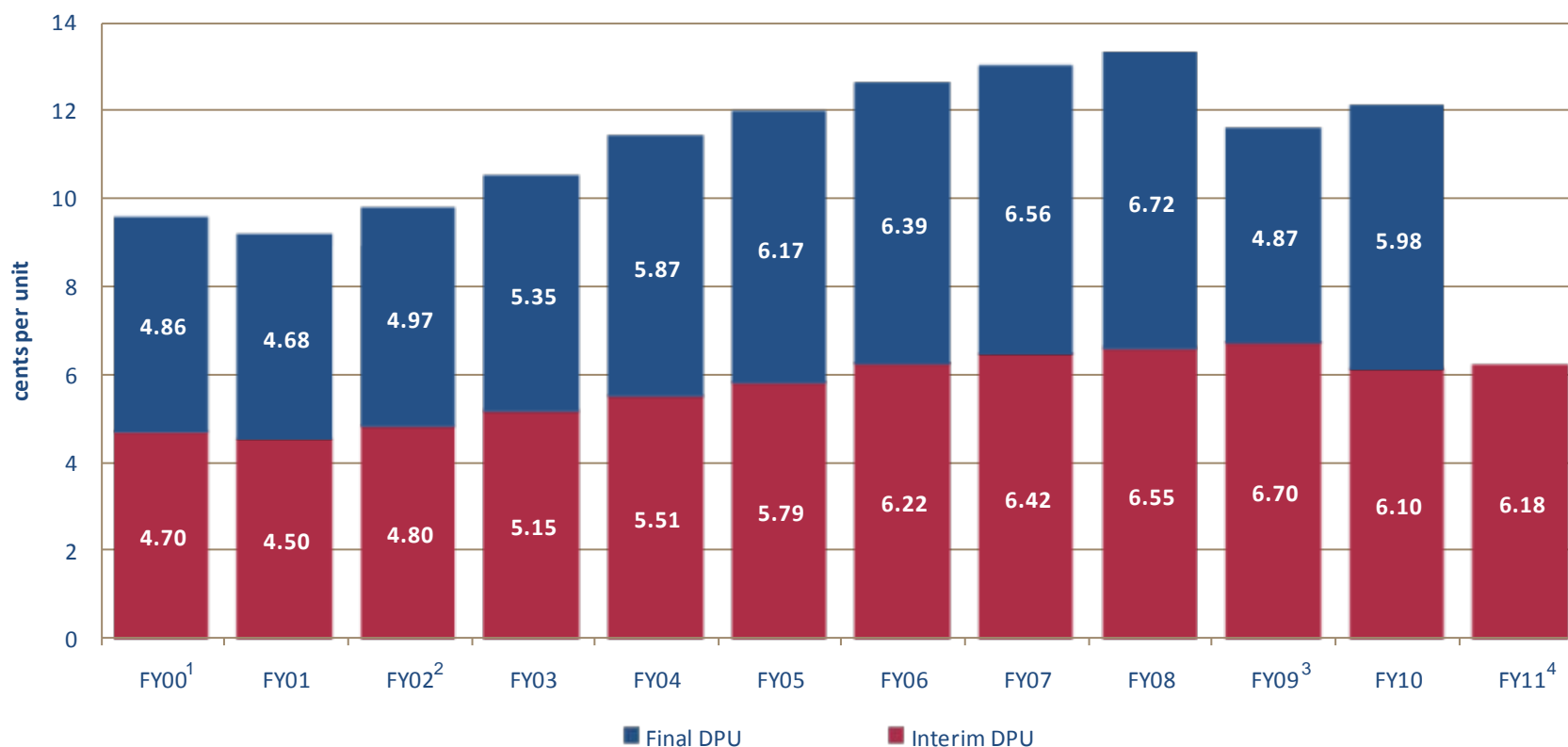
Results – performance: 6 monthly

	6 months to Dec 10	6 months to Jun 10	6 months to Dec 09
Revenue	\$40.4m	\$39.5m	\$39.0m
Net profit/(loss) including revaluations	\$54.2m	\$51.1m	\$41.1m
Unrealised gain/(loss) in fair value of investment properties	\$28.2m	\$25.9m	\$15.9m
Distributable profit ¹	\$26.4m ²	\$25.1m	\$25.3m
Half-year distribution (cents per unit)	6.18	5.98	6.10
Total assets	\$1,077.0m	\$1,026.4m	\$986.7m
Borrowings	\$193.6m	\$193.5m	\$189.8m
Net tangible assets (per unit)	\$1.96	\$1.88	\$1.83
Weighted average cap rate	7.62%	7.65%	7.78%
Gearing (debt to total assets)	18.0%	18.8%	19.2%

¹ Adjusted for rounding

² Includes \$0.4 million capital profit on sale of Canning Vale

Results - distributions



¹ BWP commenced trading in Sep 98

² End of concessional management fee

³ Final distribution FY09 – impacted by additional units issued from \$150 million capital raising and one-off termination costs of interest rate derivatives closed out to pay down debt from capital raising

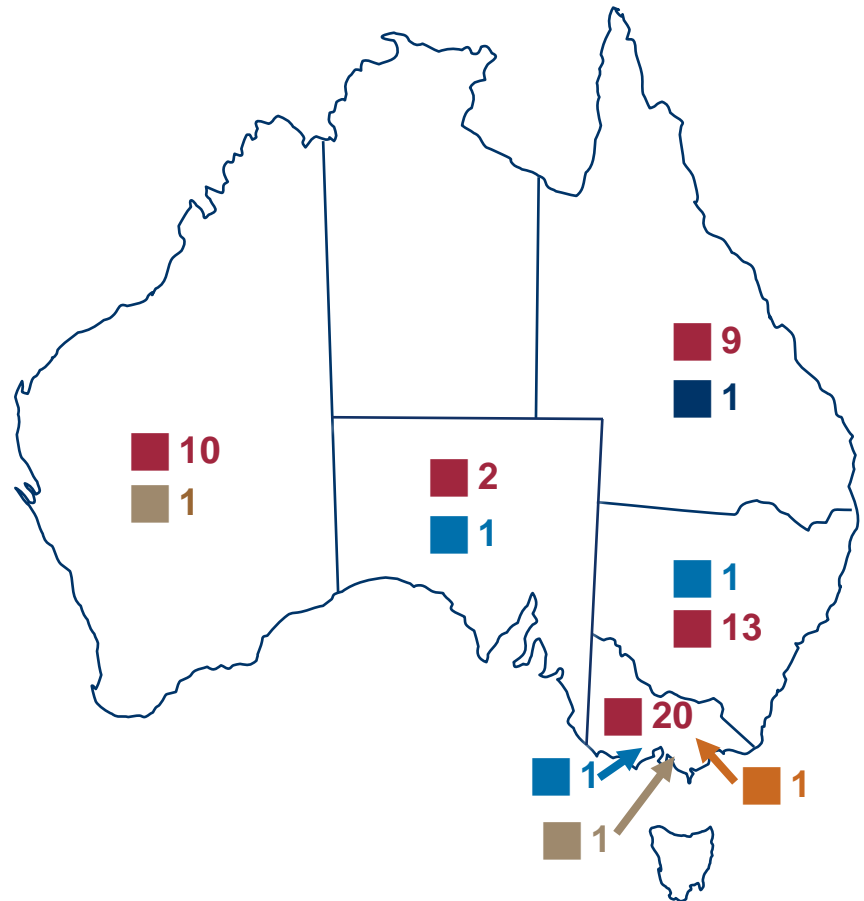
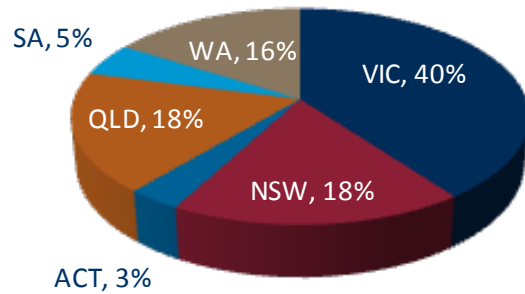
⁴ Includes sale of Canning Vale (0.09 cents per unit)

Portfolio – geographic spread

- 54 Bunnings Warehouses
- 1 Bunnings distribution centre
- 1 Bunnings Warehouse development site
- 3 Industrial properties
- 2 Bulky goods showrooms*

* showrooms at Bayswater are on the same site as the Bayswater BWH

**BWP rental income
(as at 31 Dec 2010)**

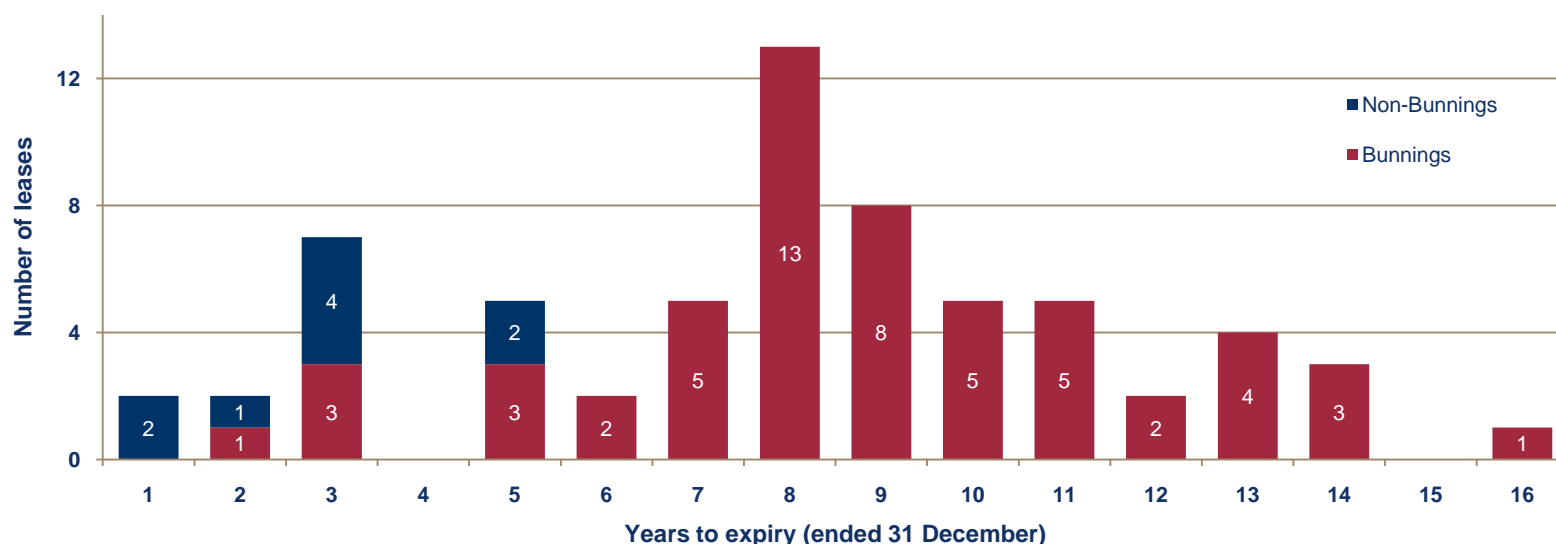


Portfolio - WALE

8.9 year weighted average lease expiry (by rental income)

Typical Bunnings Warehouse Property Trust lease features:

- 15 years (plus 2 x 5 year options)
- annual CPI escalation
- 5 yearly market rent reviews (majority uncapped)
- Wesfarmers covenant (BBB+ credit rating)



Non-Bunnings rental income represents 4.1% of the portfolio rental income as at 31 December 2010

Portfolio – FY11 market rent reviews

Property location	Passing rent (\$'000)	Reviewed rent (\$'000)	Uplift (\$'000)	Uplift (%)	Effective date
Mile End, SA ¹	1,411	1,845 ²	434	+30.8	22 Mar 10
Morley, WA	1,016	1,168 ³	152	+15.0	3 Jul 10
Vermont South, VIC	1,959	1,959 ³	-	-	15 Aug 10
Northland, VIC	1,453	1,628 ²	175	+12.1	19 Aug 10
Rockingham, WA	1,262	1,475 ³	213	+16.9	16 Aug 10
Weighted average				+13.7	

¹ Excludes amortised rent not subject to review

² Determined by an independent valuer

³ Negotiated outcome between the Trust and the tenant

Portfolio - revaluations

- **Stable cap rates**
 - Consistent sales evidence (refer Appendix A for details):
2009/10 – 14 sales average yield 7.69%, WALE 9.7 years
 - 12% of BWP portfolio independently valued in December 2010
 - Independent valuations adopted same cap rates as at 30 June 2010 directors' valuation
 - 2.8% increase in fair value of portfolio essentially due to rental growth (excluding acquisition/divestment/upgrades)
- **December 2010 weighted average capitalisation rate 7.62%**
 - June 10: 7.65% and Dec 09: 7.78%
 - Refer to Appendix B for valuation process and Dec 10 valuation summary by State/Territory

Portfolio – future revaluations and reviews

Future Bunnings Warehouse market rent reviews and portfolio property valuations

	FY11	FY12	FY13	FY14	FY15
BWH rent reviews	4	7	8	20	12
% of total ¹	7%	13%	15%	37%	22%
Portfolio revaluations	16	24	19	16	24
% of total ²	28%	45%	27%	28%	45%

¹ percentage based on number of Bunnings Warehouses as at 31 December 2010

² percentage based on fair value as a 31 December 2010

Refer Appendices B & C for outline of valuations and market rent review process

Portfolio - acquisition

- **Port Melbourne, Victoria (\$24.0m purchase price, plus \$1.4m acquisition costs)**
 - 2.5 kilometres south-west of Melbourne CBD
 - 3.0ha site, 13,846m² total retail area
 - lease commencement 17 March 2008
 - 12 years + 4x5 year options
 - annual rent \$1.65m
 - cap rate on net income 6.9%
 - annual CPI escalation
 - market review in March 2013 and on exercise of options (cap 10%/collar 5%)
 - acquired December 2010



Portfolio – developments completed

▪ Broadmeadows, Victoria (\$5.9m)

- 3,824m² expansion of the fully-enclosed covered area of the Bunnings Warehouse completed in December 2010
- incremental annual rent \$0.47m
- new 10 year lease with one 10 year option
- annual CPI escalation
- market reviews every 5 years (no caps/collars)



Portfolio – developments committed

▪ Fyshwick, ACT (\$15.0m)

- estimated completion June 2012
- redevelopment and expansion of existing Bunnings Warehouse onto adjoining Trust-owned 1.0 ha site acquired in 2005
- increase in total retail area from 6,648m² to 13,730m²
- incremental reviewable rental \$0.55m per annum, plus non-reviewable (amortised) fixed rental of \$1.05m per annum for initial term
- new 12 year lease + four five year options
- annual CPI escalation
- market rent reviews at the exercise of each option (no caps/collars)

▪ Rocklea, Qld (\$3.8m)

- estimated completion October 2011
- expansion of main trade area, timber drive through and new yard area
- incremental rent \$0.31m per annum
- new 10 year lease + one 10 year option
- annual CPI escalation
- market rent reviews every five years (no caps/collars other than hard ratchet on first market rent review)

Capital management – debt facilities

As at 31 Dec 10	Limit (\$m)	Drawn (\$m) ¹	Expiry
ANZ	100	48.9	31 Jul 2013
CBA	100	49.9	14 Jan 2012
WBC	80	45.5	2 Nov 2013
NAB	50	50.0	Evergreen ²
	330	194.3	

¹ amount drawn includes accrued interest of \$0.7 million as at 31 December 2010

² facility is extended annually in March each year provided there has been no event of default or potential event of default with any change to pricing to apply from 1 April the following year. Current negotiations are being held with NAB to change this facility to a 3 year fixed term facility to improve pricing efficiency

Interest cover: 3.8x (2009: 3.8x) at 31 December 2010

Average duration: 2.33 years at 31 December 2010

Capital management

- Balance sheet strength supported by:
 - low gearing - 18.0% at 31 Dec 10 (18.0% covenant gearing)
 - strong lease covenant in Bunnings/Wesfarmers
 - solid rental base with growth from CPI and programmed rent reviews
 - low level of committed capex
- Maintaining 100% pay-out ratio of distributable profit
- Distribution Reinvestment Plan (“DRP”) remains on
 - DRP for half-year issued at \$1.7261 per unit (1.5% discount to 10 day VWAP)
 - 33.0% take up
- \$80 million bank bill facility extended to November 2013 during half-year

Capital management – interest rate hedging

- \$192.0m hedged (99%) at 5.86% weighted average
- 3.37 years weighted average maturity, including delayed starts (2009: 3.03 years)

Hedge book profile by half-year ending:	Dec 10	Jun 11	Dec 11	Jun 12	Dec 12	Jun 13	Dec 13
Active swaps (\$ millions)	192	180	170	145	140	140	130
Swap rates (%)							
Maximum	7.85	7.72	7.35	5.82	5.77	5.77	5.77
Minimum	5.61	5.61	5.15	5.15	5.15	5.15	5.15
Weighted average	5.86	5.77	5.46	5.44	5.42	5.38	5.46

Capital management – borrowing costs

- Net borrowing costs for half-year (incl. fees and margins):
 - \$9.2m (up 0.7% on Dec 09)
 - average borrowings \$194.3m (p.c.p. \$200.9m)
 - 9.4% of borrowings after hedging (Dec 09: 9.0%)
- Effective rate of borrowings (9.4%) impacted by:
 - fully hedged position (fixed average rate of approx 5.86%)
 - substantially higher bank margins and fees
 - undrawn capacity
- Outlook improving:
 - average hedging rate reducing:
5.86% → 5.77% half ending 30/6/11 → 5.46% half ending 31/12/11
 - bank margins and fees reducing

Outlook

Positive signs for growth:

- Existing portfolio
 - CPI/fixed rent reviews for 24 leases in 2H FY11
 - tenant driven upgrades (Rocklea \$3.8m, Fyshwick \$15.0m)
- Acquisitions
 - some quality assets available
 - yields stabilising
 - BWP remains focussed on quality
- Funding
 - availability and pricing improving for better credit risks such as BWP

Governance - structure

Responsible Entity: Bunnings Property Management Limited

Subsidiary of Wesfarmers Limited *but*...majority external directors

- **John Austin** (Chairman):
Leighton Properties (Chairman), MREEF, Ringmer Pacific (NED),
- **Peter Mansell**: Ampella Mining (Chairman)
- **Peter Johnston**
- **Rick Higgins**: CHDPML (Charter Hall unlisted retail trust) (NED)
- **Bryce Denison**

Major Tenant: Bunnings Group Limited

- subsidiary of Wesfarmers Limited

Register

- Wesfarmers approximately 23%
- “institutions” approximately 29%
- retail, other approximately 48%



Further information

Visit: www.bwptrust.com.au

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The information provided in this presentation should be considered together with the financial statements for the period and previous periods, ASX announcements and other information available on the Trust's website.

All reasonable care has been taken in preparing the information contained in this presentation and it is intended to provide general information only and does not take into account individual objectives, financial situations or needs.

Appendix A: Sales evidence

Bunnings Warehouse		Sale price \$m	Yield %	Date
Rothwell	QLD	16.70	7.93	Mar 09
Nerang	QLD	16.35	7.60	Jun 09
Campbelltown	NSW	21.35	7.66	Jun 09
Nowra	NSW	11.60	7.75	Jun 09
Rockdale ¹	NSW	25.35	8.15	Dec 09
Mill Park	VIC	16.45	7.75	Apr 09
Box Hill	VIC	21.50	8.00	Jun 09
Bendigo	VIC	8.68	7.40	Apr 09
Keysborough	VIC	19.15	7.54	Nov 09
Belconnen	ACT	20.50	7.63	Jun 09
Kalgoorlie	WA	6.10	8.20	Jun 09
Port Stephens	NSW	12.30	7.56	Oct 10
Mt Gambier	SA	8.15	7.82	Oct 10
Port Melbourne	VIC	24.00	6.88	Dec 10
Total/weighted average		228.18	7.69	

¹ Includes two showrooms; analysed cap rate for BWH is 8.15%

Appendix B: Valuations

- Process
 - entire portfolio revalued every 6 months
 - independent valuations on a 3 year cycle for each property
 - balance of portfolio – directors’ valuation using recognised valuation methodology
 - directors’ valuations methodology reviewed by an independent valuer and have regard to market evidence and the independent valuations completed at the time

- Valuations at 31 December 2010 by State/Territory

	No. of properties	Rental \$/annum	Cap rate	Value \$m
VIC	22	32.6	7.50%	445.2
NSW/ACT	14	16.7	7.74%	218.4
QLD	10	14.7	7.85%	168.4
WA	11	13.1	7.61%	172.2
SA	3	3.8	7.45%	49.1
Total	60	80.9	7.62%	1,053.3

Appendix C: Market rent reviews

- Typical Bunnings Warehouse market rent review clause
 - assumes free and open market with vacant possession (a percentage with caps and collars)
 - has regard to the rent paid by Bunnings at other Bunnings Warehouses
 - has regard to the rental value of other properties of a similar size and similar standard of construction and used for similar purposes
 - no regard to store turnover (i.e. no turnover or percentage rent)
- Process
 - Trust's asking rent based on advice from an independent valuer
 - negotiation period with Bunnings
 - if not agreed with Bunnings then referred to determination
 - determination by independent valuer jointly agreed or nominated by the President of the Australian Property Institute
 - results binding