

BUNNINGS
WAREHOUSE PROPERTY TRUST

ARSN 088 581 097

23 December 2008

The Manager, Issuers - Perth
Company Announcements Office
Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sir/Madam,

RE: NEWSLETTER

Attached is a copy of a newsletter to be sent to unitholders and investors as an update of the Trust's activities.

Yours sincerely



K A LANGE
COMPANY SECRETARY

Chairman's welcome

The management and directors of Bunnings Property Management Limited, the responsible entity for the Bunnings Warehouse Property Trust ("BWP") are pleased to provide this newsletter as an update to our unitholders and investors.

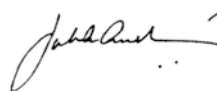
We recognise that, while BWP's annual and half-year reports deliver detailed financial and operational information and significant matters are disclosed to the ASX (and on BWP's website), unitholders and investors would benefit from periodic informal updates on what is going on with BWP. This is particularly relevant at a time of financial volatility and economic uncertainty, such as we are experiencing currently.

In this update we provide information on BWP's market performance, portfolio matters, and funding arrangements. In summary, we continue to believe that the future of BWP remains positive and it is well placed to weather difficult market conditions. Looking forward, we will produce updates from time to time on relevant information. We also intend to hold a general meeting of unitholders in the 2009

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calendar year to provide a more direct dialogue with our unitholders and investors. We will provide further information regarding the proposed meeting at the appropriate time. In the meantime we hope that you find this update useful and look forward to your feedback should you have any.



John Austin
Chairman

BWP holds up better than most in tough market conditions

Economic and financial conditions remain difficult globally and this has had a profound impact on the unit price of BWP and the market generally. However, BWP has provided more stability and resilience to the downturn in markets than most, performing better than the broader market over the past 12 months - as the accompanying chart demonstrates.

Over the past 12 months, to the end of November 2008, BWP's closing unit price has declined by approximately 21.2% (from \$2.26 to \$1.78). The property sector and broader market have fallen significantly more, with the S&P/ASX 200 A-REIT index falling by 55.4% and the All Ordinaries index falling by 52.9% over the same period.

Over a more recent timeframe, BWP's closing unit price has increased by approximately 4.1% since 30 June 2008, compared with declines of 27.3% and 31.7% for the S&P/ASX 200 A-REIT and All Ordinaries indices respectively.

BWP CLOSING UNIT PRICE COMPARED TO MARKET INDICES



Acquisition – Bunnings Warehouse, Mt Gravatt

BWP has recently acquired an established Bunnings Warehouse in the Brisbane suburb of Mt Gravatt, Queensland. The property was acquired from Bunnings Group Limited (“Bunnings”) on a sale and lease-back basis for \$11.2 million (excluding acquisition costs).

The 2.7 hectare property is situated on the north east corner of Wecker and Creek Roads at Mt Gravatt, approximately ten kilometres south of the Brisbane central business district.

Bunnings has signed a new seven year lease with BWP at a commencement rent of \$974,000 per annum, with five options for a further five years each, exercisable by the tenant. The rent escalates annually by 3% and is subject to a market review at the exercise of each option term. At market review, the rent may be no greater than 110% nor less than 90% of the rent in the preceding year.

The acquisition has been funded from existing debt facilities and will be accretive to distributable profit from day one.



Noarlunga upgrade

BWP has reached agreement with Bunnings to upgrade the Bunnings Warehouse at Noarlunga, approximately 25km south of the Adelaide central business district. The upgrade, to be completed by Bunnings, will increase the main warehouse area and reconfigure and enclose the timber drive-through and is expected to cost \$3.4 million.

A new 10 year lease with Bunnings will commence immediately after completion of the upgrade, expected to be in April 2009. The lease will be on the same terms as the existing lease, except that

there will not be a market rent review during the first 10 year lease term. Annual rent will escalate by CPI throughout the initial 10 year term of the new lease. A market rent review will be conducted on the property at the end of the 10 years should Bunnings exercise the remaining 5 year option. (Refer to page 3 for an explanation of market rent reviews.)

The rent on completion of the upgrade incorporates a 6% increase on the existing rental to reflect the likely increase from the market rent review that would have occurred in November 2009, in addition to an 8% return on the total capital outlay of \$3.4 million. The outcome of the upgrade is summarised below:



	CURRENT	POST UPGRADE (EST APR 09)
Annual rent (\$'000)	932	1,269
Lettable area (m ²)	11,845	12,902
Lease term (years)	6	10
Additional term* (years)	5+5	5

* At Bunnings' option

Hawthorn – new Bunnings Warehouse development

The new multi-level format Bunnings Warehouse located at 230 Burwood Road, Hawthorn, approximately 7 kilometres east of the Melbourne central business district, reached practical completion in October 2008.

The store has a total retail area of 7,462 square metres over two trading levels and will incorporate a nursery.

BWP acquired the development site from a third party in April 2007 for \$19.4 million with an agreement for lease in place with Bunnings. The final payment of \$24.0 million (plus GST) for the completed development was made in December

2008. BWP will receive an annual rent of \$2,710,000 which will be escalated annually by CPI and will be reviewed to market after six years and then at the exercise of each option.



Market Rent Reviews

It is common practice for leases of commercial properties to have periodic market rent reviews to ensure a fair rental for the property, having regard to the rents paid for similar premises at the time.

BWP's Bunnings Warehouses are generally reviewed to market every five years from the commencement date of the lease, with annual CPI reviews in every other year. Market reviews have regard to the rents paid at other Bunnings Warehouses, with adjustment for size, configuration, location and, where appropriate, rents of properties of a similar size and standard of construction and used for similar purposes. No part of the rent is based on the sales performance of the particular store.

The process involves BWP providing Bunnings with the proposed revised rent based on advice from an independent valuer. Should the parties not agree on a revised rent, then the rental is determined by an independent valuer, either appointed by both parties or nominated by the President of the Australian Property Institute. The result is final and binding.

There were six market rent reviews in 2007/08, resulting in a weighted average increase of 6%.

21 market rent reviews are scheduled for 2008/09. Two reviews have been agreed: at Altona a 3% increase on the existing rent and Rocklea remaining at the same rent. A summary of the reviews for 2008/09 is provided in the table below:

STATE	PROPERTIES
ACT	Tuggeranong
NSW	Lismore, Minchinbury & Port Macquarie
QLD	Burleigh Heads, Cannon Hill ⁺⁺ , Hemmant DC, Rocklea ⁺ , Southport & Underwood
VIC	Altona [*] , Bayswater, Broadmeadows, Epping, Mentone, Sandown, Scoresby & Sunshine
WA	Balcatta, Joondalup & Mandurah

⁺⁺ Cannon Hill completed as part of upgrade negotiations

⁺ Rocklea agreed at no increase to existing rent

^{*} Altona agreed at 3% increase

Cannon Hill Bunnings Warehouse amalgamation

We have agreed with Bunnings to amalgamate the Bunnings Warehouse and the adjoining Distribution Centre at Cannon Hill, Brisbane. The amalgamated property will comprise a fully enclosed area of 13,821m² and nursery of 2,625m².

A new 10 year lease with Bunnings will commence when the upgrade is completed, expected to be in December 2008. The lease will be on the same terms as the existing lease with annual CPI escalations and market rent reviews every 5 years.

The rent on completion of the upgrade incorporates

a 7% increase in the existing rental to reflect the likely increase from the market rent reviews that would have occurred in 2009, in addition to an 8% return on the total expenditure of \$1.2 million.

	CURRENT	POST UPGRADE (EST DEC 08)
Annual rent (\$'000)	1,625	1,834
Lettable area (m ²)	16,561	16,561
Lease term (years)	5	10
Additional term* (years)	5+5	5

* At Bunnings' option

Bank funding through to 2010

BWP has debt facilities totalling \$380 million with four major Australian banks. The facilities are bank bill or cash advance facilities based on 90 day bank bills. At 4 December 2008 borrowings under the facilities were \$333.7 million. We have recently finalised negotiations with ANZ to extend the existing \$100 million facility until 31 July 2010 and with NAB for repricing of bank margins and fees.

We are continuing with negotiations with Commonwealth Bank of Australia ("CBA") regarding repricing and extending the \$100 million facility to 1 January 2011, and expect these to be completed in December 2008 or January 2009. Details of BWP's facilities are summarised in the table below.

Bank margins and fees that will apply from review dates have increased significantly, consistent with broader credit market conditions. However, increases for the ANZ facility apply only from 1 February 2009 and increases for NAB apply only from 1 April 2009. Falling interest rates are expected to help reduce the impact of increasing bank fees.

Other than the ANZ facility, which is a fixed term facility, all other facilities are structured to provide for review and extension at least 12 months before expiry. This is to provide more certainty of funding, by providing significant lead time to extend existing facilities or arrange alternative funding if extension terms are not agreed.

AS AT 4 DEC 08	LIMIT (\$M)	DRAWN (\$M)	PRICING REVIEW	EXPIRY
ANZ	100	98.2	February 2009 ¹	July 2010
CBA	100	100.0	November 2009 ²	January 2010
NAB	100	89.3	March 2009 ³	Evergreen
WESTPAC	80	46.2	July 2009 ⁴	July 2010
	380	333.7		

1 ANZ – pricing to apply from Feb 2009 to July 2010

2 CBA – review in October/November 2008 to extend to January 2011 at bank's option still progressing and a further review due in October 2009 to extend to 2012 at the bank's option and subsequently on a rolling basis

3 NAB – pricing review in March 2009 to apply from 1 April 2010 to 31 March 2011 and subsequent March pricing reviews on a rolling basis

4 Westpac – review in July 2009 to extend to July 2011 at bank's option and subsequently on a rolling basis

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