

## BABCOCK & BROWN RESIDENTIAL LAND PARTNERS

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### ASX Release

20 September 2007

### **BLP PRESENTATION TO THE MACQUARIE PROPERTY CONFERENCE**

Please find following the Babcock & Brown Residential Land Partners (ASX: BLP) presentation to the Macquarie Property Conference – Australian Residential and Funds Management under the microscope.

**ENDS**

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#### **About Babcock & Brown Residential Land Partners**

Babcock & Brown Residential Land Partners (BLP) is managed by Babcock & Brown which invests in a diversified portfolio of quality residential land projects which are developed by a range of Australia's leading private developers.

BLP offers securityholders liquidity, geographic, project and product diversity, access to 5 quality private development partners, long term potential for growth and, importantly, the benefit of access to Babcock & Brown's considerable investment and structuring experience in the real estate sector.

For further details please see our website: [www.bbresidentiallandpartners.com](http://www.bbresidentiallandpartners.com)

# Macquarie Australian Residential Property Conference

20 September 2007

# AGENDA

1. BLP Overview
2. Residential development site selection
3. Planning & Design process
4. Role of BLP and its Development Partners
5. Planning regulations
6. Land subdivision costs, competition and trends
7. Strategic relationship with Babcock & Brown
8. Officer case study

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# BLP OVERVIEW

- **Geographic diversity**

- Current portfolio with an aggregate yield of approximately 7,000 lots
- Current portfolio located on east coast of Australia spanning Townsville to Melbourne
- Completing due diligence on additional projects in QLD, Metropolitan Sydney, Western Australia and New Zealand

- **Product and location diversity**

- Government identified growth corridors (1st / 2nd home buyers)
- In-fill locations (3rd / 4th home buyers; some built product)
- Lifestyle locations (sea-change / retirees)

- **Timing diversity**

- Portfolio of projects at different stages in project lifecycle from pre-zoning to delivery
- Current portfolio life of 8 years

- **Limited re-zoning and construction risk**

- Primary focus on land development and sale of completed lots
- All new acquisitions expected to be rezoned within 1-3 years
- Build out in limited circumstances (e.g. Ascot Chase)

# RESIDENTIAL DEVELOPMENT SITE SELECTION



Haywards Bay, Wollongong

## Current preferred site locations for BLP:

- Metropolitan Sydney;
- South East and Central Queensland;
- Melbourne;
- Western Australia; and,
- New Zealand

- Government defined future growth corridors, growth areas and infill sites
- Level land preferred by homebuyers to minimise construction costs
- Demographics of area, including forecast population growth and socio-economic profile
- Availability of infrastructure (water, sewer and power) in the area, including access to main arterial roads, highways, public transport and rail networks
- Proximity to schools, medical, recreational and shopping facilities
- Proximity to water (salt or fresh), open space, bushland reserves etc.

# PLANNING & DESIGN PROCESS

Stage	Potential risk	Strategies to mitigate risks
<b>Selecting a development partner</b>	Third party risk	<ul style="list-style-type: none"> <li>• Due diligence is performed on new development partners</li> <li>• Partners are chosen because of their extensive experience in the development of like projects and track record in dealing with local authorities, contractors, consultants and suppliers</li> </ul>
<b>Project vision, positioning and development strategy</b>	Project doesn't meet the needs of its target market	<ul style="list-style-type: none"> <li>• Extensive market research and scenario testing required to define unique site characteristics and ultimate selling proposition</li> <li>• Undertaken jointly with our development partners who have the local knowledge relative to the geography of the site</li> <li>• BLP's in-house development management team have the experience to drive this process</li> </ul>
<b>Zoning and Planning &amp; Design</b>	Project delays	<ul style="list-style-type: none"> <li>• Invest in government defined growth corridors, growth areas or infill sites</li> <li>• Partner with developers with local experience</li> <li>• Portfolio diversity, with multiple projects in various stages of the development cycle</li> </ul>

# ROLE OF BLP AND DEVELOPMENT PARTNERS

Phase	Development Stage	Responsibility		
		Development Partner	BLP	Joint
Assessment & Acquisition	Due Diligence		✓	
	Feasibility & Commercial Assessment		✓	
	Financing / Structure		✓	
Design & Approvals	Project Vision			✓
	Positioning & Development Strategy			✓
	Urban Design			✓
	Planning & Approvals	✓		
Project Delivery	Cost & Plan Program	✓		
	Supplier Negotiations	✓		
	Development Management	✓		
	Feasibility Maintenance			✓
Marketing & Sales	Sales & Marketing Plan	✓		
	Product Pricing			✓
	Sales Management	✓		
	Advertising & Promotions	✓		
	Sales Administration	✓		

Note: BLP resources participate at a higher and more strategic level, leaving many of the resource consumptive activities to our development partners

# PLANNING REGULATIONS

Residential land development in the States in which BLP is operating is largely governed by:

- Sydney Metropolitan Plan and regional plans
- Melbourne 2030 Plan
- SE Queensland Regional Plan and regional Strategic Plans

# SYDNEY METROPOLITAN STRATEGY

- Land development in NSW operates under the Sydney metropolitan strategy and a series of regional plans
- In December 2004, the NSW Government announced the new land release plan for the South West and North West Growth Centres as a key plank of the Metropolitan Strategy for Sydney
- The Growth Centres will accommodate 30 to 40 percent of Sydney's long term housing growth (up to 181,000 new homes, serviced by \$7.5 billion of infrastructure)
- The Growth Centres Commission has been established by the NSW Government to ensure that new development proceeds with infrastructure and services planned, funded and linked to the sequence of land release
- The Commission is responsible for working with infrastructure agencies, industry, local councils, landowners and the community

# SUCCESS OF GROWTH CENTRES COMMISSION AT CAMDEN

- Camden sits in the government designated Growth Centre in Sydney's South West
- Babcock & Brown supports the process for fast tracking the rezoning of broad acre residential lands as managed by the Growth Centres' Commission (GCC)
- The GCC is in the process of rezoning lands in Sydney's south west, with most work undertaken in the last 12 months. Rezoning is apparently in its final stages awaiting the planning ministers ratification and gazettal
- Witnessed first hand though our knowledge of the Camden Valley Golf Club rezoning (a joint venture between NSWLC / PDG and B&B) within the GCC's Turner Road precinct
- Other rezonings in the Sydney basin have taken 6-12 years
- The ability of the GCC to manage and co-ordinate all stakeholders (government authorities, landowners, the community and council) through their working group models has been successful
- The process has also given developers more certainty in the timing of the release program, and also in the indication of likely infrastructure costs

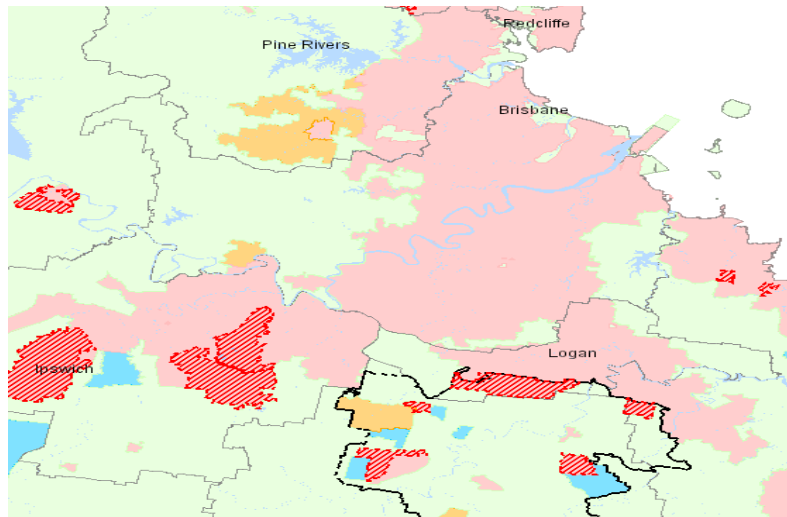
# MELBOURNE 2030

- **Melbourne 2030** is a 30-year plan to manage growth and change across metropolitan Melbourne and the surrounding region
- It emphasises the city's interdependence with regional Victoria, to provide maximum benefit to the whole State.
- The Principal and Major Activity Centres will be the preferred locations for future higher-density residential and mixed-use developments
- New Principal or Major Activity Centres are essential to provide hubs for new suburbs. Mernda, in the Plenty Valley growth area, is an example of the newly established direction in design and function
- More than 130 major sites have been identified for potential large residential developments (of more than 100 dwellings) outside activity centres

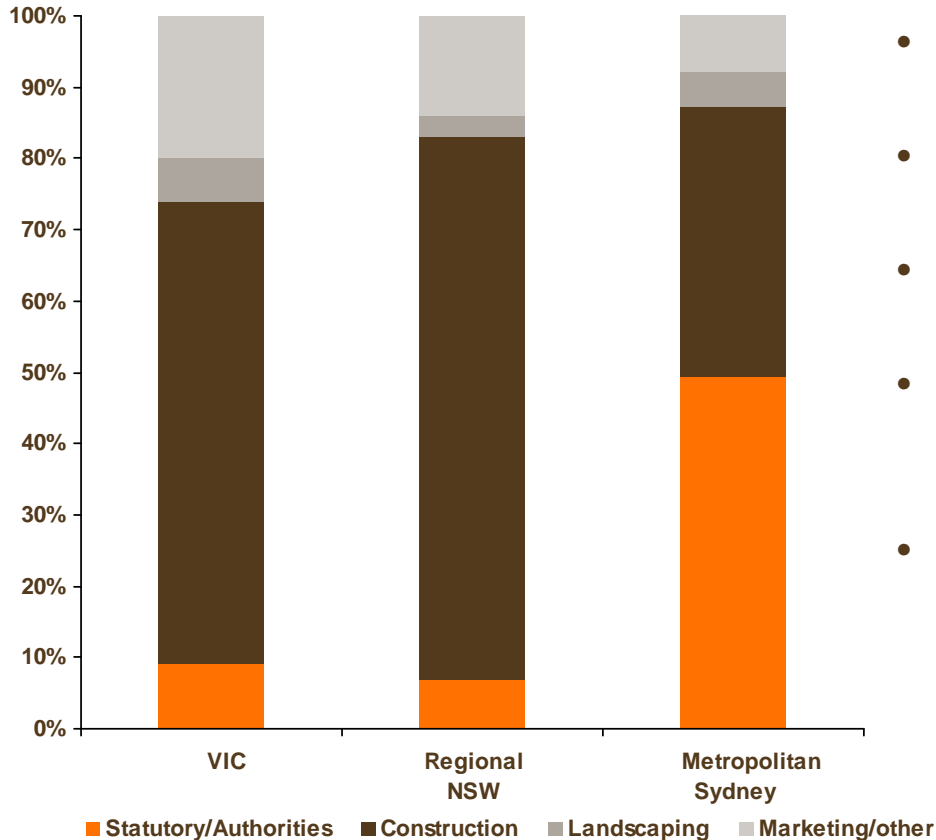


# SOUTH EAST QUEENSLAND (SEQ) REGIONAL PLAN

- The **South East Queensland (SEQ) Regional Plan** is the statutory regional planning strategy that guides growth and development in SEQ. The SEQ Regional Plan was released by the Queensland Government and the SEQ Regional Organisation of Councils on 30 June 2005.
- Amendment 1 was finalised after public consultation and released on 31 October 2006
- The **Urban Footprint** identifies land to provide for the region's urban development needs to 2026. It includes existing urban areas and undeveloped (greenfield) areas potentially suitable for future urban development – usually subject to the timing for delivery of required infrastructure



# TYPICAL LAND SUBDIVISION PROJECT COST BREAKDOWN



- Government levies and fees continue to add pressure on margins
- Metropolitan Sydney levies are extremely high at around \$73,000 per lot
- Government release programs provide some relief in NSW
- Construction costs include roads, drainage, electrical, water, sewer, telecommunications and earthworks
- Metropolitan Sydney subdivisions cost up to 100% more than in Metropolitan Melbourne, creating affordability gap

Note: This graph is a moving target. Needless to say that the orange range, Statutory/Authorities contributions, is increasing quickly and substantially

# COMPETING WITH SURROUNDING DEVELOPMENTS

- Site selection is critical – proximity to services and focal areas such as salt water rivers, lakes and open space
- Knowing your buyer is fundamental, local developers have this advantage
- Understanding your competition, including the timeline of their projects, and their project attributes and competitive advantages
- Maintain a strategic but always flexible sales and marketing plan.  
Be quick to respond
- Focus on long-term IRR and profitability of project rather than short-term sales success
- Provide a simple one-stop shop for buyers including land and house selection and financing packages
- Deliver community infrastructure early in the development process to maximise sales returns and desirability
- Deliver on what you promise always
- Deliver product and price diversity to cater for the broadest spectrum of buyers

# TRENDS IN RESIDENTIAL LAND DEVELOPMENT

We expect the future to bring:

- more attached product
- smaller detached dwellings on smaller low maintenance blocks of land of 250sqm and less
- more duplex accommodation
- greater desire for dwellings to meet lifestyles including two cars, living areas, no separate lounge, 2 and 3 bedrooms with ensuites, computer and smart wiring
- Rising infrastructure levies are a concern and are impacting on affordability
- Affordable housing options such as relocatable homes, pre-fabricated homes and higher density living options
- Land and housing ('turn-key') packages sought by homebuyers rather than the traditional approach of buy land and select builder
- Environmentally sensitive developments favoured, although homebuyers still reluctant to pay for it
- Bolt on acquisitions for developers – larger developments bring efficiencies of scale
- Private financing and ownership of infrastructure thereby delivering capacity for reduced pricing and ongoing revenue streams for developers

# BENEFIT OF STRATEGIC RELATIONSHIP WITH BABCOCK & BROWN

- Project acquisition pipeline
- Investment and financial structuring expertise
- Leverage off the profile of the brand
- Babcock & Brown's balance sheet allows warehousing of projects until they meet BLP's investment criteria
- Babcock & Brown's extensive knowledge base in both real estate and infrastructure
- Synergies through working with other Babcock & Brown funds, such as Babcock & Brown Communities ASX:BBC (retirement communities)
- Marketing tools such as 'Bounce by Patrick Rafter' to increase profile of BLP projects
- Babcock & Brown's Superannuation Investment Plan (SPI Plan) to provide an alternate sales channel

# OFFICER, VICTORIA



**Address:** Princes Highway, Officer

**Land size:** 95.4 hectares

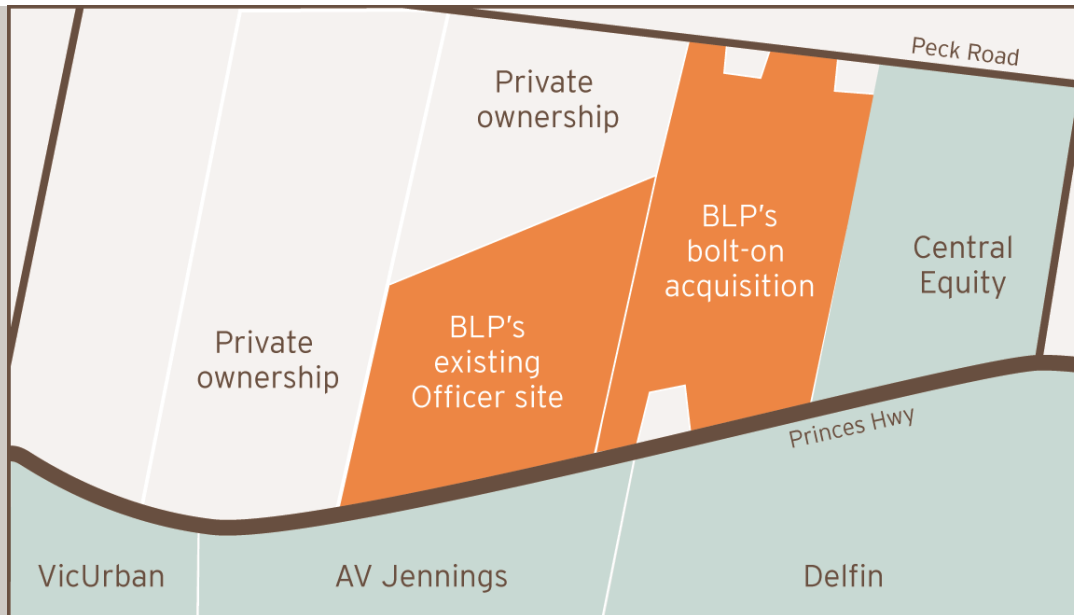
**Development Partner:** Metricon

**Expected lot yield:** 950

**Estimated Completion:** 2015

**Location:** Casey-Cardinia Growth Corridor (Melbourne 2030)

# OFFICER, VICTORIA



- **This bolt-on acquisition delivers BLP:**

- **Project management and development synergies** with the existing site
- **A significant uplift in lot yield** to approximately 950 lots (compares to 366 for the original site and just over 800 for the two separate sites)
- **Project scale** in a rapidly expanding government-defined growth corridor of Melbourne
- **The largest land holding** on the northern side of the Princes Highway
- **An opportunity to better segment our product** through the delivery of different sized lots and precincts with different themes and price points

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