



GPT RE Limited
ABN 27 107 426 504
as Responsible Entity of
General Property Trust
AFSL 286511

**GPT Management
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16 February 2009

Suzanna Dabski
Adviser
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

By electronic lodgement

Dear Ms Dabski

Re: Price Query

Set out below is our response to each of the questions raised in your letter of 13 February 2009.

- 1. Is the Group aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Group?**

In answering this question, please address the recent media reports regarding a potential capital raising by the Group.

Please note that as recent trading in the Group's securities could indicate that information has ceased to be confidential, the Group is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

The Group notes the recent media speculation concerning potential capital raisings by various A-REITs, including GPT, however GPT is not aware of any information concerning the Group that has not been announced which, if known, could be an explanation for recent trading in the securities of the Group.

- 2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?**

Not applicable. Refer to question 1.

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3. Is there any reason to think that there may be a change in the operating profit before abnormal items and income tax so that the figure for the financial year ended 31 December 2008 would vary from the previous corresponding period by more than 15%? If so, please provide details as to the extent of the likely variation.

The Group's underlying operating profit is expected to be consistent with the forecast provided to the market in the Group's Prospectus and Product Disclosure Statement issued in October 2008 (the "PDS"). As set out in the PDS, this forecast varies from the previous corresponding period by greater than 15%.

Whilst underlying operating profit will be consistent with the PDS, the Group's net profit under IFRS will be significantly lower than the previous corresponding period, as a result of non-cash items, including asset writedowns and mark to market losses on currency and interest rate derivatives, as outlined below. As noted in the PDS, the PDS forecast did not include the impact of future valuations of investment properties beyond 30 June 2008 or future movements in the value of derivatives beyond 30 September 2008, due to the difficulty associated with making forecasts in relation to future property yields, interest rates, exchange rates or general market conditions. This is generally accepted practice given the difficulty associated with making forecasts in relation to these factors, all of which are outside the Group's control.

The GPT Group has undertaken independent or directors' valuations for its real estate portfolio, in preparation for release of the Group's 31 December 2008 accounts. As a result, GPT expects to record valuation reductions for the period 30 June to 31 December 2008 of approximately \$450 million across its core Australian real estate holdings and approximately \$250 million across non core assets. GPT also expects to record a writedown of approximately \$700 million in its investment in the Joint Venture with Babcock & Brown.

In total, these represent an 11% reduction in the book value of the Group's portfolio of direct and equity accounted real estate investments, with weighted average capitalisation rates for the Group's Australian Retail, Office and Industrial Portfolios increasing by approximately 20bp, 50bp and 40bp respectively.

As a result of these valuation movements, the Group's balance sheet gearing (measured as net debt to total tangible assets) as at 31 December 2008 is anticipated to be approximately 33.5%, providing headroom of approximately \$2 billion in relation to the Group's 40% balance sheet gearing covenant. This level includes approximately \$300 million of non recourse debt related to European warehoused assets. GPT is actively pursuing strategies to either sell or rescind control of these assets and associated debt. Completion of this process would reduce balance sheet gearing to approximately 32%, and increase headroom in relation to the 40% covenant to over \$2.4 billion.

GPT's interest cover ratio remains strong at approximately 2.5x for the 2008 financial year.

Consistent with GPT's prudent approach to capital management and policy of matching offshore assets to offshore liabilities, the Group hedges the majority of its interest rate and foreign exchange risk over the medium to long term. As a result of the recent volatility in interest rate and currency markets, GPT anticipates a non-cash mark to market loss on its forward derivative book of approximately \$900 million for the six month period. This compares with a loss of approximately \$172 million

for the period to 30 September 2008 as per the PDS, and is the result of the significant movements in the interest rates and currencies to which GPT is exposed since the assumptions in the PDS were finalised. Whilst the non-cash mark to market impact under IFRS accounting will continue to be unpredictable moving forward, the long-dated nature of GPT's derivative book adds stability to the Group's underlying operating cashflow streams.

Consistent with the calculations stipulated in GPT's lending facilities, the Group's derivative position is not included for the purposes of calculating balance sheet or look through gearing ratios (both of which are calculated on a 'debt to assets' basis).

All of the writedowns and mark to market positions outlined above are required under IFRS accounting standards, and are non-cash items. They will not affect the Group's operating income or forecast distribution of 17.7 cents per security for the 2008 calendar year, as per the PDS.

GPT will provide a full update to the market with its audited results for the year ended 31 December 2008 on 27 February 2009.

The guidance outlined above is preliminary in nature, subject to finalisation within The GPT Group as well as to review by our external auditors. As such, the actual results for the year ended 31 December 2008 may differ from the guidance given here.

4. Is there any reason to think that the Group may record any material abnormal or extraordinary profit for the financial year ended 31 December 2008? If so, please provide details.

Please see response to question 3.

5. Is there any other explanation that the Group may have for the price change in the securities of the Group?

GPT is not aware of any other explanation for the price change in the securities of the GPT Group.

6. Please confirm that the Group is in compliance with the listing rules and, in particular, listing rule 3.1.

GPT confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1.

Yours sincerely



James A Coyne
Company Secretary