

1 July, 2009**VALAD ANNOUNCES RESTRUCTURE OF EUROPEAN BUSINESS AND FORMATION OF A EUROPEAN PROPERTY JOINT VENTURE WITH BANK OF SCOTLAND**

- Creation of a 50:50 European property joint venture with Bank of Scotland plc
- Valad has contributed property assets to the joint venture of A\$469 million (£230 million), associated liabilities of A\$761 million (£373 million) and net equity in joint ventures and investments of A\$382 million (£187 million).¹ BoS has also contributed assets and associated liabilities
- Valad European funds management business continues to be owned by Valad and will provide management services to the joint venture
- Other than certain cash payment obligations, as outlined below, the lender to the joint venture and funds management business has no recourse to Valad Property Group

SYDNEY: Valad Property Group (“**Valad**” or the “**Group**”, ASX: VPG) announced it has just signed agreements with Bank of Scotland plc (“**BoS**”) necessary to create the Diversified UK and European (“**DUKE**”) property joint venture, which has a term of three years. A small number of subsidiary documents remain to be executed and these are expected to be signed shortly.

Transaction at a glance

Valad has contributed the majority of its European / UK assets and all associated debt, to the DUKE joint venture.

In addition, Valad has contributed €10 million (A\$17 million) and will contribute a further €15 million (A\$26 million) in cash to the DUKE joint venture over three years. Valad has also contributed its investment in Crownstone which had a value of €50 million (A\$87 million) at December 2008. Valad’s €40 million (A\$70 million) contingent liability relating to the German Aktiv Fund (GAF), has been cancelled.

The DUKE joint venture has assumed the existing debt facilities associated with the above assets, the terms of which have largely remained unchanged, and which also have a term of three years. BoS has provided new undrawn facilities of £66 million (A\$135 million) to the joint venture. A fee of £25 million (A\$51 million) is payable by DUKE on termination of the DUKE debt facilities.

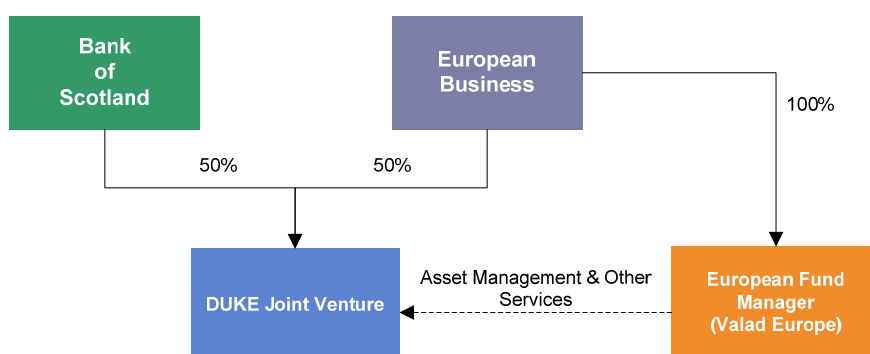
¹ Values as at 31 December 2008.

Valad and BoS each hold a 50% equity ownership in the DUKE joint venture company. Any cash or profits generated by DUKE will be used to retire debt within DUKE. Reflecting an anticipated fall in property values, Valad expects to carry its equity in the DUKE joint venture at nil value, as at 30 June 2009.

Valad retains 100% ownership of Valad's European funds management platform which is held separately from the DUKE joint venture.

The transaction is effective as of 30 June 2009.

These agreements represent another significant milestone in the execution of Valad's restructuring strategy, following the extension of Valad's Asia Pacific debt facilities in February this year. The next component of Valad's restructure is to finalise arrangements for the £36 million (A\$73 million) Scarborough deferred payment, which is due for payment in September 2009. Having reached this stage of Valad's restructuring, the Group is now in a position to refocus on growing the business.



Valad's European business structure

Valad European funds management platform

The Valad European Fund Manager ("**Valad Europe**") is one of the largest real estate asset management groups in Europe, with a UK and pan-European platform and AUM of A\$9.1 billion as at 31 December 2008. Valad Property Group retains 100% ownership of Valad Europe.

Valad Europe has entered into an agreement to provide various asset management and other services to the DUKE joint venture, and expects to be well placed to secure the management of future work-out assets from BoS and other financial institutions, and to launch future opportunity funds.

Under the terms of the restructure, should Valad choose to sell Valad Europe within three years, the DUKE joint venture has the right to the net proceeds.

European corporate debt

Binding agreements with BoS have been signed for debt facilities, with the following features:

DUKE

- Pre-existing facilities remain in place but will be liabilities of the DUKE joint venture and have been amended to operate under a common covenant regime and security pool;
- New facilities of £66 million (A\$135 million) have been created to support ongoing business;
- A financial covenant test of future and historical debt service cover equal to or greater than 1.0x. There are no other financial covenants;
- New facilities and existing facilities have a three year term;
- The weighted average margin across the DUKE joint venture debt is 134 bps;
- Debt relating to GAF will remain separate from the DUKE joint venture debt facilities;
- BoS has granted a waiver of the existing GAF loan to value covenant for a term of three years; and
- Debt in the Valad Opportunity Fund UK and other joint ventures held by DUKE remain on current terms.

Valad Europe

- Valad Europe has standalone financing facilities of approximately £19 million (A\$39 million).

Other than the above cash payment obligations, the lender to the DUKE joint venture and Valad Europe has no recourse to Valad Property Group.

Relationship with BoS

This new joint venture continues a longstanding relationship between BoS and Valad, and provides Valad with the opportunity to implement its European strategy of growing recurring revenue and to take advantage of the current market environment through the management of bank workout portfolios and the establishment of new funds.

Comments

Peter Hurley, Valad's Managing Director said "We are pleased to announce this joint venture with BoS. BoS is an active real estate partner and this transaction represents a significant advancement in the relationship between it and Valad.

"In February we outlined a number of milestones to stabilise our balance sheet. This announcement represents the fulfillment of a major element of that strategy. It also allows Valad to continue to hold an interest in a major European pool of assets which is positioned to benefit from any future recovery in market conditions."

Goldman Sachs JBWere acted as sole financial adviser to Valad.

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Note: AUD/GBP exchange rate of 0.4899 and AUD/EUR exchange rate of 0.5739 as at 30 June 2009 applied throughout this release.