**Brookfield**

**Brookfield Capital Management Limited**
ABN 32 094 936 866
Level 22, 135 King Street
Sydney NSW 2000

Multiplex New Zealand Property Fund
ARSN 110 281 055

GPO Box 172
Sydney NSW 2001

Tel +61 2 9322 2000
Fax +61 2 9322 2001
www.au.brookfield.com

5 May 2011

Dear Investor

**Re: Multiplex New Zealand Property Fund (Fund) - Extension of period to sell or withdraw**

Brookfield Capital Management Limited (BCML), the responsible entity of Multiplex New Zealand Property Fund (Fund), has resolved to extend the period to provide investors with the option to sell or withdraw from the Fund.

**Background**

The Fund's constitution requires investors to be provided with a notice at least three months prior to the expiry of the period ending 1 September 2011 (being 1 June 2011) giving them the option to sell or withdraw from the Fund. Alternatively, BCML may extend the period by up to 12 months.

BCML has considered the current circumstances facing the Fund in New Zealand and is of the view that it is appropriate to extend the period to 30 August 2012. This date coincides with the expiry of the Fund's debt facility.

As a result, investors will be provided with a notice before 30 May 2012 asking them to advise whether or not they want to continue to own their units for a further period specified by BCML (which will be no more than seven years) or whether they want to sell or withdraw from the Fund. This process is set out in the Fund constitution and in the PDS. Subsequent to investors advising of their choice BCML will determine the appropriate strategy to meet these requirements. This strategy will be determined in light of the number of investors who wish to exit from the Fund and will require a consideration of the interests of all investors in the Fund. As properties may be required to be disposed to facilitate the exit of investors the amount to be received and timing of receipt may be subject to market conditions at the time.

Whilst BCML understands that some investors may wish to realise their investment in the short term, the responsible entity considers that an extension is in the best interests of all investors and continues to assess all options open to the Fund to maximise value for investors.

**Issues considered by BCML in reaching this decision**

BCML considers that the current environment in the New Zealand property market and wider economy mean that the Fund's assets cannot be sold on terms which are in the best interests of investors within a reasonable time after 1 September 2011. In particular, the following factors are relevant:

*Property market fundamentals*

Underlying property fundamentals which influence the Fund's portfolio are at a 10 year low. Industry expectations are that supply, demand and yield influences in relevant markets in which the Fund operates will improve from 2012. Current valuations for the Fund's portfolio reflect the underlying market influences as well as current and known forecast vacancy. Noting BCML's view of improvement in portfolio occupancy, and the market generally over the next 12 months, the increment expected in values is likely to exceed the costs in holding such properties.

*Transaction and capital market conditions*

It is reasonably expected that transaction market conditions will improve over the next 12 months with a possibility of achieving higher than present sale prices. In relation to the Fund, this is an important consideration in light of the comparatively high investment value for some of the properties owned.

There is little activity in New Zealand capital markets at the present time and it is reasonably expected that the position will be stronger in 12 months when greater demand is expected to exist. Such improvement may bring the possibility of a buyer wishing to acquire a substantial interest in the Fund or in the portfolio of assets, a position that is not currently considered to exist in the market.

*Property vacancy*

The Hereford Street, Auckland property is currently vacant with limited immediate prospect for a significant tenant commitment.

In addition, there is a significant lease renewal negotiation underway at AIA House and new lease opportunities within assets such as the ASB Bank Centre to be progressed so as to maximize the Fund's underlying value.

BCML therefore considers that provision of an additional 12 months is appropriate to allow for such renewals to be advanced. The holding costs associated with such a strategy are likely to be outweighed by the potential valuation uplift should the properties be leased in the interim.

*Christchurch earthquake*

The recent Christchurch earthquake has created uncertainty in the New Zealand economy as the Government has attempted to quantify resources required in Christchurch. This has limited the Government's leasing activity (where the Government is a major lessee), and transactions have been placed on hold pending the outcome of assessments in Christchurch. It is expected that within 12 months this position will be clearer and the Government will re-engage in markets outside of Christchurch (including where the Fund has properties).

The earthquake has also had the effect of decreasing the value of the NZ$. As Australian holders have approximately 95% of Fund units, the ultimate repatriation of $A is directly impacted by the NZ$ devaluation.

**Debt facility**

In the Investor Update dated 9 March 2011 investors were provided with information concerning the extension of the Fund's debt facility to 30 August 2012. This was an important outcome for the Fund. Compliance with facility covenants and future refinancing requirements remain an important consideration in assessing strategy for the Fund.

The extension of the period for investors to withdraw from the Fund does not adversely affect the debt facility and the covenants set out in the Investor Update remain unchanged.

**Fund updates and information**

For all Fund updates and information, please refer to www.au.brookfield.com, or contact Brookfield Customer Service on 1800 570 000.

Yours sincerely

Brookfield Customer Service
Phone: 1800 570 000
Email: clientenquiries@au.brookfield.com