

BGP sells European property portfolio for over €1.1 billion including net debt

***Proceeds for distribution expected to be nearly €600 million after deduction of
net debt and transaction expenses***

20 October 2016: BGP Holdings PLC (BGP Holdings) today announced the sale of 100 percent of the business and assets of BGP Investment S.à r.l. to purchasing vehicles advised by Morgan Stanley Real Estate Investing at an enterprise value including net debt of over €1.1 billion

After the fulfilment of customary conditions precedent and the sale completion, funds available for distribution after deduction of net debt and transaction expenses are expected to be close to €600 million (A\$870 million). The final proceeds will be determined on the basis of closing accounts.

BGP Holdings owns 16,000 residential units in Berlin, Kiel, Rendsburg and Cologne, and has approximately 58,000 retail investors following an *in-specie* distribution to shareholders in the GPT Group in 2009.

Rod McGeoch, Chair of BGP Holdings said: “The sale of the portfolio is a highly commendable outcome given the starting point in 2009 of a company with no value and negative equity to now being able to realise nearly €600 million on behalf of our patient shareholders.”

“The transaction marks the end of a long and at times difficult journey to restore value to the BGP portfolio and is made all the more commendable in light of current market volatility.

“Central to the success of this transformation was our strong focus on the German residential portfolio, increasing asset values by renovating the properties, reducing vacancies, increasing rents and increasing the efficiency and cost-effectiveness of our asset and property management.

“At the same time we have disposed of under-performing retail, commercial and light industrial properties as well as selling many of the less prospective residential units.

“To have come this far is a tribute to a group of talented senior executives, led by Managing Director, Mark Dunstan, whose financial skills and extensive property experience have helped deliver this outcome against a backdrop of the post-GFC period and the more recent impacts of Brexit on European markets.

“The restoration of value to the BGP portfolio has involved the painstaking simplification and restructuring of an entity comprising 250 different Special Purpose Vehicles since 2005, seven levels of corporate structure over 12 jurisdictions and four distinct asset classes.

“The volatile and unpredictable market conditions have added a further layer of complexity to this task,” Mr McGeoch said.

Mr McGeoch said an Extraordinary General Meeting (EGM) of the company would be convened in the near future to approve the distribution of net proceeds to investors and the subsequent winding up of BGP once the proceeds had been distributed.

The funds available for distribution are expected to be approximately 95 per cent of the net proceeds of the sale after deducting transaction, administrative and other expenses and the provision made for finalising the transfer of the BGP operation to its new owners.

The transaction is expected to be completed after the fulfilment of customary conditions precedent towards the end of the year after which shareholders will be sent the Notice of Extraordinary General Meeting.

On shareholder approval, an interim distribution will be made shortly thereafter, and a final distribution when the business has been fully transitioned.

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EDITORS NOTES:

About BGP Holdings:

BGP Holdings (BGP) is a European Real Estate investment company with around €1.2 billion in assets in Germany and France. It began in 2005 as a joint venture between Australian companies Babcock & Brown and the GPT Group. After Babcock & Brown was put into liquidation, GPT decided in mid-2009 to exit its European investments and BGP was restructured in 2009 as an independent company. Some 58,000 shareholders own about half the company and institutions the remainder.

BGP's assets are residential units and focused on growth regions / urban centre areas in Germany. Some 42% of the assets by Gross Asset Value (GAV) are located in the sought after Berlin area as well as other regions in Germany with positive household dynamics. Approximately 75% of the assets by GAV are in Germany's top university cities.

Its mission has been to manage its assets with a view to ultimate repatriation of value to these shareholders.

BGP timeline

- 2005: BGP comprised the assets of the joint venture European property investment company that GPT had purchased with Babcock & Brown Limited (BBL).
- 2007: Portfolio of retail, commercial, light industrial and residential properties worth more than €4 billion
- 2008: Negative equity of €600 million after accounting for net debt
- 2009 (January): BBL was put into liquidation
- 2009 (August): GPT divests 50% JV interest by way of *in-specie* dividend (ISD) to GPT shareholders representing non-transferable shares in BGP Holdings PLC in Malta, BGP Investment's parent company.
- 2009 (December): GPT largely exits register (retains 5.3%); balance held by *in specie* dividend beneficiaries (94.7%)
- 2009: Internalised asset management
- 2012: BBL (50% holder, nil value) exits register through put-option to BGP Holdings Europe
- 2012: Shareholders' and equity reserves reached €390 million
- 2013: Favourable refinancing of two-thirds of the residential portfolio
- 2014: Dual track sale process initiated
- 2014: Balance of residential portfolio refinanced
- 2015 (December): Equity attributable to the shareholders at €588 million
- 2016: Current portfolio represented by 16,000 units in Berlin, Kiel, Rendsburg and Cologne; half the portfolio is securitised
- 2016: Announced trade sale to purchasing vehicles advised by Morgan Stanley Real Estate Investing at an enterprise value including net debt of €1.177 billion