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### Goodman notes Moody's rating action

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Date	6 October 2009
Release	Immediate

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Please refer to the attached release by Moody's.

For further information, please contact Goodman:

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**About Goodman:** Goodman owns, develops and manages industrial property and business space globally. It is the largest industrial property group listed on the Australian Securities Exchange and one of the largest in the world, with offices across Asia Pacific, UK and Europe. At the core of the Group's success is its integrated customer service model, which reflects the organisation's commitment to creating long-term customer relationships.



Moody's Investors Service

## Rating Action: **Moody's confirms Goodman's Baa3 senior ratings; outlook stable**

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Global Credit Research - 06 Oct 2009

### **Approximately A\$2.4 billion in debt securities affected**

Sydney, October 06, 2009 -- Moody's Investors Service has today confirmed Goodman Group's ("Goodman") Baa3 issuer and senior unsecured rating, and downgraded the rating on Goodman's "PLUS" hybrid to Ba2. The outlook on all ratings is stable.

This concludes the review which initially commenced in March 2009 due to concerns about the group's high leverage. Today's rating action follows the conclusion of Goodman's recapitalization which included capital raising and debt extension at the headstock and managed funds.

Goodman's Baa3 ratings reflect its portfolio of directly owned, high quality and well-diversified industrial property assets," Chong says, adding, "The ratings also consider Goodman's much improved leverage, liquidity and covenant positions which are expected to provide adequate cushion for reasonable downside risks in the operating environment".

However, the rating recognizes that -- in comparison with other rated Australian real estate investment trusts -- the larger proportion of the group's earnings are derived from less-stable property management fees, development profits and equity returns from partly owned and managed property funds. Moody's considers to these cashflows to be less predictable and more cyclical than those from directly owned property. The property development business can also be a large user of capital and more exposed to rapid market shifts. As a result, Moody's considers Goodman's business risk to be greater than that of a more traditional real estate investment trust.

The group's pro-forma look-through Net Debt/EBITDA ratio of around 7.5 times remain weak for the Baa3 rating, although Moody's notes that financial metrics at headstock level -- including Net Debt/EBITDA of 5.0 times -- are more appropriate for the rating. Moody's considers both measures of the credit quality of the group given its track record of providing capital to the partly owned funds at times of need.

"The ratings includes an expectation that Goodman will de-lever its look-through balance sheet - over the next 12-18 months - to achieve Net Debt/EBITDA of 6 times on a look-through basis," Chong says, adding, "The group intends to sell down its stakes in funds to 20-30% range, and if implemented, look-through leverage would decline."

"Moody's recognises the group's recent track record of managing its capital structure in this regard through capital raising and asset sales," Chong says.

The downgrade of the hybrid rating to Ba2 reflects the weakened position of the instrument in Goodman's capital structure. In this regard, the deterioration in the group senior unsecured rating has increased the expected risk of loss on the hybrids.

The stable outlook on the ratings reflects an expectation that Goodman's leverage position will gradually improve as it executes its strategy, and that the operating environment is showing signs of stabilisation in Australia. It also reflects plans by the company to continue to extend its debt maturity profile and maintain solid balance sheet liquidity. This is particularly important given the cyclical nature of some parts of its business.

Positive rating momentum is unlikely in the near term given our expectation of the group's look-through and head-stock leverage level. Over the longer-term, the group's ratings could be considered for an upgrade if look-through Net Debt/EBITDA ratio falls below 4.5 times (3.0-3.5 times at the headstock level), and fixed charge coverage rising above 3.5 times on a sustainable basis. When considering these metrics, Moody's would exclude any profit from asset recycling. In addition, Moody's would look for Goodman to maintain a long debt maturity profile consistent with its asset structure.

On the other hand, downward rating pressure could eventuate if Moody's considers it unlikely that Goodman would improve its look-through Net Debt/EBITDA to below 6 times (or headstock to below 4.0-

4.5 times) and fixed charge coverage to higher than 2.5 times over the next 12-18 months. A material deterioration in the group's liquidity position (through a material reduction in available liquidity or build-up of short-term debt maturities), or evidence of meaningful increase in development risk or financial support for its managed funds, could lead to rating pressures.

The last rating action on Goodman was on August 6, 2009 when Goodman's ratings were maintained on review for possible downgrade following the announcement of its recapitalization plan.

The principal methodology used in rating Goodman was the Rating Methodology for REITs and Other Commercial Property Firms, which can be found at [www.moodys.com](http://www.moodys.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The Goodman Group, based in Australia, is an internally managed, integrated property group, with ownership of a substantial portfolio of Australian industrial property assets. In addition, the group has a number of strategic investments in various industrial property funds globally. It also derives earnings streams from providing funds management and property management services together with property development activities.

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