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12 March 2009

BSX Announcements Office
Bendigo Stock Exchange Ltd
PO Box 323
Bendigo VIC 3552

By email: announcements@bsx.com.au

ANNOUNCEMENT

APN Regional Property Fund (BSX code: APR) – ARSN: 110 488 821

Fund valuation and gearing levels

The Fund recently announced a decrease in the value of its assets from $78,150,000 as at 30 June 2008 to $70,500,000 as at 31 December 2008.

As a result of the revaluation, the net asset value per unit has decreased by 22.55% to $0.8285 per unit and the Fund's loan to value ratio (LVR) has subsequently increased to 64.99% against a maximum allowable limit of 65% under the terms of the Commonwealth Bank debt facility. Conversely, interest cover for the six month period was 1.9 times which is well above the covenant of 1.5 times.

The term of the current debt facility expires 29 October 2009 and in order to comply with LVR covenants and facilitate a successful refinance of the Fund's bank debt, a reduction in debt is required.

Reducing debt levels

The most viable options for reducing debt levels include: selling assets, applying cash earnings or a combination of both. APN Funds Management (APN FM), the Responsible Entity of the Fund has therefore implemented the following initiatives to help reduce debt levels:

- The cash set aside for the payment of distributions will be used to reduce bank debt and as a result no distribution will be paid for the March 2009 quarter; and
- APN FM has engaged CB Richard Ellis as exclusive agent to market the sale of Greenpoint Shopping Centre in Avoca Drive, Greenpoint, NSW.

Future distributions

The ability to pay distributions for the March and June 2009 quarters will depend on the extent of further declines in the value of the Fund's assets (which are due to be revalued at 30 June 2009) as well as the sale of Greenpoint Shopping Centre. We expect the sale of Greenpoint Shopping Centre will generate significant interest from the private investor market and if a successful sale is concluded prior to the end of the 2009 financial year, the distribution policy will be reviewed.

Economic Outlook
The current global financial and economic downturn has put significant downward pressure on property values which was largely due to the limited availability of debt funding caused by the collapse of overseas wholesale debt markets. Most major western economies are now in recession including Australia's largest trading partner Japan.

The Australian market has not been immune from the economic turmoil and the outlook for the Australian economy continues to deteriorate with GDP growth for the December 2008 quarter falling to -0.5% on a seasonally adjusted basis, the first negative quarter recorded since December 2000. The availability of debt funding remains tight and is not expected to improve in the short term. Unemployment is forecast to increase and will be a crucial metric in determining the extent of the downturn and impact on property values.

Despite the lack of liquidity in debt markets, the Australian banking sector remains one of the strongest in the world. All of the 'big four' Australian banks retain 'AA' credit ratings and are now classified as some of the largest banks in the world by market capitalisation.

Base interest rates have fallen dramatically in response to the Reserve Bank of Australia's monetary policy. The cash rate now stands at 3.25%, whilst wholesale swaps (fixed rate) are approximately 3.5% and 4.1% for 3 and 5 years respectively (as at 11 March 2008). For most property borrowers this has significantly improved interest cover ratios and returned a positive spread between yields and borrowing rates.

The outlook for direct property valuations is expected to trend downward. The effects of slowing consumer spending and increasing unemployment over the ensuing six to 12 months is likely to put downward pressure on market rents and increase vacancy levels which may lead to further deterioration in valuations. Higher vacancy rates generally cause lower rents and this will flow through to property net operating incomes as leases expire.

Portfolio Update
Highlights
- Positive growth in Moving Annual Turnover of major retail tenants year-on-year
- Portfolio Occupancy of 97%
- Portfolio weighted average lease expiry of 6.5 years (based on income)
- Low level of rental arrears

Valuation Commentary
The recent declines in valuations have been largely the result of increasing capitalisation rates which has been driven predominantly by the tightening credit markets, scarcity of debt and deteriorating economic conditions. The weighted average capitalisation rate for the portfolio has increased from 7.70% as at 30 June 2008 to 8.65% as at 31 December 2008.

Yours faithfully
APN FUNDS MANAGEMENT LIMITED

John Freemantle
Company Secretary