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Mariner American Property Income Trust increases portfolio of high quality property assets

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Mariner American Property Investment Trust (MAPIT), [ASX: MRA) is poised to acquire another US property in metropolitan New York as a part of its strategy to offer investors steady, tax-deferred income and long-term capital growth.

MAPIT has entered into contracts to acquire the multi-tenanted building One Centennial Plaza in New Jersey for USD 43 million. The acquisition is conditional on MAPIT completing its due diligence which is expected to be completed by November 2006.

One Centennial Plaza is an institutional quality Class A office complex that was developed in 1984 by American Standard as their world headquarters. The property consists of two, three-story office buildings totaling approximately 236,961 square feet (22,000 sm) and is widely regarded as the best building in the submarket and has been maintained to a very high standard. Currently it is 100% leased to two investment grade rated tenants including American Standard through to March 2021 as to 38% and Great West Life and Annuity Insurance Company (Great West) through to June 2010 as to 62%. Johnson & Johnson also occupy space within the building under a sub-lease from Great West Life and Annuity.

The acquisition will compliment the high-quality property assets in the trust- the FedEx freight terminal building in New York State, the RSA Security headquarters building in Bedford, Massachusetts, the Derry Meadows Shoppes in Derry, New Hampshire, and the Intel campus office in Parsippany, New Jersey.

Mariner Financial executive chairman Bill Ireland says "The trust s primary objective is to provide unit-holders with reliable, tax-deferred income yields over a minimum five-year term. A distribution yield of 9.3% for the 2006 financial year that is 100% tax deferred indicates MAPIT is meeting this objective. MAPIT is on target to pay a distribution yield of 9.6% (on a 97c issue price) for 2007. Its performance also compares favourably with its peers in the market, especially when its long-term leases, 99% occupancy rate and low management fees are thrown into the mix."

MAPIT also aims to add properties that combine steady income with modest long-term growth, of which the One Centennial acquisition is a prime example.

"Although stable portfolio income is the highest priority, MAPIT also seeks to achieve portfolio diversification by geography, asset class and lease profile. The goal is to

maximise portfolio returns, so each acquisition going forward must play a role in enhancing long-term income or growth and reducing portfolio volatility," he says.

Ireland says "MAPIT's performance to date reinforces management's belief that the strategy is right. The initial four acquisitions for MAPIT set a solid long-term cash flow foundation with strong tenants with investment grade ratings and/or sector dominance," he said.

The four initial MAPIT acquisitions have interest-only loans and five-year terms, and all mature in 2010 or 2011. "We will start placing seven and 10-year debt on future acquisitions in order to minimise the refinancing risk," he says.

Currently the US property market is placing a premium on single-tenant properties with strong cash flows that are backed by investment grade credits. Initial yields have been pushed down toward 6%.

Ireland says better long-term yields and income growth are now found in multi-tenanted properties where contract rents are at or below market price or single-tenant properties without an investment-grade rating but with good business prospects.

"For multi-tenant properties, it is especially important to select markets in or about to start strong recoveries, or have sustained strong rates of growth over the past few years. These include Atlanta, Miami/South Florida, Denver, Austin and Chicago."

He adds that initial cash yields can be increased with properties offering a more diversified tenancy and lease profile.

Note to the editors

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