



BSX / MEDIA RELEASE

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\$30.5m Royal Bank Chambers buy gives APGF regal Melbourne CBD office asset

Australian Property Growth Fund announced today the \$30.5 million acquisition of the landmark Royal Bank Chambers building in the Melbourne CBD, adding to the Fund's blue-chip portfolio.

Located at 287-301 Collins Street, the classic sandstone building was constructed for bank premises in 1940 and occupies one of the most prominent and traditional Collins Street locations.

APGF will be only the second owner in the 13-level building's 67-year history, and when its nine upper office levels become available in two years it will be the first time that non-bank users will have the opportunity to locate their businesses in the building.

Managing Director Geoff McMahon said the A-grade property is fully occupied by ANZ Bank and offers an outstanding investment opportunity in the Melbourne office market.

"Located on the famous north-eastern corner of Collins and Elizabeth streets, this Art Deco-style building has an exceptional position in the heart of the Melbourne CBD," Mr McMahon said.

"ANZ Bank has a 10-year lease over the retail Banking Chamber while the nine upper floors are subject to lease until 31 December 2009. This gives APGF the opportunity to reposition the property with the refurbishment and releasing of the upper floors in two years' time.

"APGF management has a proven track record in repositioning buildings which require refurbishing and releasing, as shown by our success with our flagship Comalco Place office tower in the Brisbane CBD. The Royal Bank Chambers acquisition provides APGF with another outstanding opportunity."

With a net lettable area of approximately 5,280 square metres, the building encompasses two basement floors, a large ground floor and mezzanine level in addition to the nine upper floors.

Notable surrounding landmarks include Flinders Street Station and 333 Collins Street in an area close to a range of public transport facilities and hosting a number of blue-chip financial and telecommunications companies, in addition to specialty retailers and hotels.

Mr McMahon said the property is subject to a triple net lease until December 2009, under which the tenant pays all outgoings, with upside from the strengthening Melbourne CBD market.

"The current vacancy rate for the Melbourne CBD of 5.9 per cent is its lowest level since 2002 and the growing Victorian economy has led to a shortage of A-grade office space," he said.

Both the office and retail leases are subject to fixed annual 4 per cent increases, with total annual income of approximately \$645,000 and \$785,000, respectively.

Market rent reviews will be conducted upon the exercise of each option to renew, with two further three-month terms remaining for the office lease and two, 10-year terms for the retail lease.

Mr McMahon said the acquisition reflected the Fund's focus on quality, cash flow producing properties that produce recurring income streams and long term capital growth.

"This acquisition complements our recent purchase of the \$60.75 million Westpac Concord Campus in Concord West, Sydney, in addition to the \$263 million Comalco Place building," he said.

"We now have a portfolio of A-grade office assets across the major eastern state capitals purchased at opportune times in the market cycle."

The Fund's expansion nationwide has included the acquisition of the former Elderslie property funds management business, boosting assets under management to approximately \$800 million nationwide across the sectors of commercial office, residential, retail and industrial property.

"APGF's value-driven approach and proven risk management controls have generated strong returns to investors, and we continue to grow into one of Australia's leading quality property funds," Mr McMahon said.

About Australian Property Growth Fund

Australian Property Growth Fund (BSX code: APF) is a stapled property fund comprising a property trust, Australian Property Growth Trust, which invests in long term passive property investments, and a property funds management and development company, Australian Property Growth Limited.

The Fund has approximately \$800 million worth of assets under management across the commercial office, residential, retail and industrial property sectors, located Australia-wide. APGF's flagship property is the \$263 million Comalco Place commercial office building in the Brisbane CBD, with other key assets including the \$60.75 million Westpac Concord Campus in Concord West, Sydney and the \$110 million Pavilions on 5th retail and residential development at Palm Beach on the Gold Coast.

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