

THE CAPITAL AN INVESTOR UPDATE *Courier*

ISSUE No.3

Update

POST OFFICE SQUARE

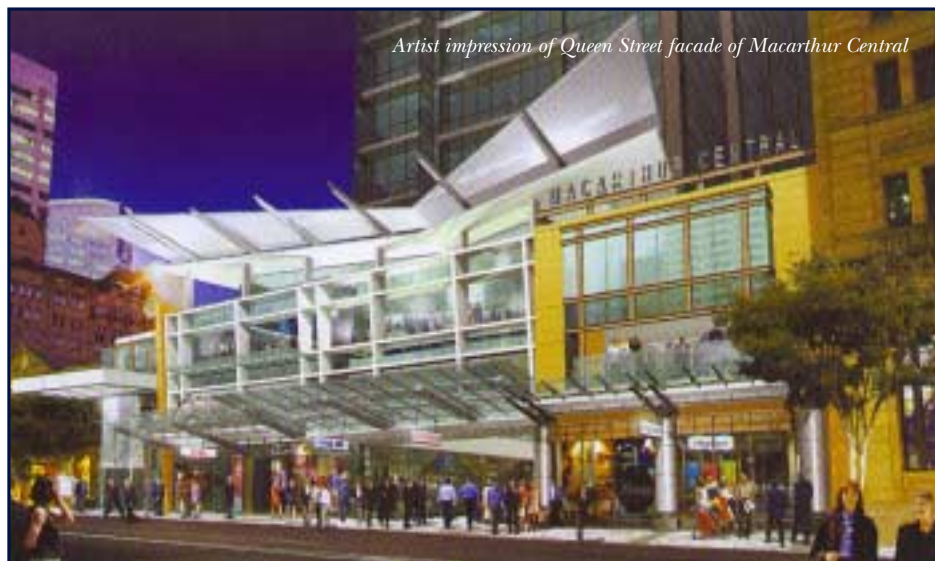
MACARTHUR CENTRAL UNDERWAY

At the northern end of the Queen Street Mall and diagonally opposite Post Office Square major earthworks have commenced for the new mixed used development – Macarthur Central. Fronting Queen, Edward and Elizabeth Streets, Macarthur Central includes over 1 hectare of retail space over 3 levels and is the largest retail development in Brisbane for a decade. A Woolworths supermarket and Big W Discount Department Store will be the major retailers for the centre.

Plans for Macarthur Central also include an upmarket dining/food precinct for approximately 10 operators. Parking for the retail component is 88 cars. Future development for the site includes a 31 level commercial office tower. A heritage apartment conversion is also currently occurring in the Macarthur Chambers building adjacent to the new retail development.

Mark Greer, CB Richard Ellis Retail Director, the appointed leasing agent for the retail component of Macarthur Central, believes this development will be extremely positive for all surrounding properties including Post Office Square. "Macarthur Central reconfirms this precinct as the historic centre of Brisbane located within the vicinity of the GPO, Central Station and major retailers including David Jones, Coles, Woolworths and Big W".

We currently view the Macarthur Central



Artist impression of Queen Street facade of Macarthur Central

development as a positive factor for Post Office Square as:-

- It should refocus retail activity on the northern end of Queen Street where Post Office Square is located;
- It may provide an opportunity for 7 days a week trading for Post Office Square in due course;
- Its principal area of competition – the dining precinct – is focused more on sit down, up-market and more expensive food whilst Post Office Square is a takeaway food court with its clientele more focused on price and convenience.

TENANCY UPDATE

Located at the Queen Street entrance of Post Office Square, the Pharmacy (which is a major tenant occupying 10.5% of the retail space) recently signed a new 10 year lease. As part of the transaction, extensive refurbishment of this store has now commenced. This refurbishment is expected to provide a far more appealing Queen Street entrance to this property.

The Suncorp Metway tenancy also located at the Queen Street entrance, has recently been vacated prior to the Bank's lease expiry of 31 May, 2001. This was due to the tenant having a duplicated long term tenancy (across Queen Street from Post Office Square) as a consequence of the merger of the Suncorp and Metway financial institutions. The decision of the Bank was logical given the long term lease that they have inherited opposite Post Office Square.

We believe that the opportunity to release this space provides an excellent opportunity to again make a far more attractive entrance statement from Queen Street by the installation of a more modern and inviting fitout. We are confident of securing a new tenant for this area in the next few months.

Vodafone (who were a sub-tenant of Advance Bank) have vacated a tenancy at the Adelaide Street frontage of the property. We are currently finalising a new tenancy for this space, in conjunction with Advance Bank, who have an ongoing liability for the rent for the balance of the lease term.

In your last Investor Update we reported on the progress of the establishment of the Australian Property Exchange Limited ("APX"). It had been hoped that the exchange would be operating by March this year. However, this timeframe appears to have been delayed (probably until the middle of this year) with the Exchange's approval still before the Australian Securities and Investments Commission. We will continue to keep you updated of the status of the APX and any fallback listing on the Australian Exempt Property Market.

ACCOUNTING UNDER ONE ROOF

The Board of PFA has decided that the ongoing accounting for the Funds under PFA's control (including The Capital Collection – Diverse Sector Fund) would now be conducted 'in-house' by PFA's accounting personnel. The introduction of GST and the requirement to produce interim accounts and reports has materially increased the accounting work required for each of the Funds and subsequently increased the expense of the ongoing accounting to all of our Funds by external accountants. The net result of this decision is a cost saving to the Funds, as the fees charged by PFA are less than that charged by external accountants for performing the same duties. Taxation advice and returns and end of year financial accounts will continue to be provided by external accountants.

TENANT PROFILE: EMMANUEL'S CARVERY



Emmanuel's Carvery - Post Office Square

Emmanuel's Carvery has been the food success story of Post Office Square for over 15 years. Originally located in smaller premises in the Food Court when Post Office Square first opened for business, Emmanuel's has relocated into larger premises incorporating a modern fitout. The popularity of the shop is highlighted by the heavy patronage which, can be four to five persons deep at the counter, during its breakfast offering and significant lunchtime trade.

WHERE'S RALPH NOW?

Since your last Investor Update, the Federal Government has made further announcements regarding "Entity Tax Reform". The controversial definition of "Collective Investment Vehicle" has not been pursued by the Government. It currently appears that the transparent/flow through tax nature of the Syndicate and the Trust will continue and that entity tax reform will not have any material effect on the Fund's entities.

SIX MONTHLY REPORTING

It is now a requirement under the Corporations Law that six monthly audited accounts be completed for the Capital Collection – Diverse Sector Fund. Due to the additional onerous cost to the Fund, we will not be sending a copy of six monthly reports to all investors as it is not required under the Corporations

Law or the Constitutions for the Funds.

However, audited accounts and the Interim Manager's report for the period ended 31 December, 2000 are now available upon request. Should you or your adviser require a copy please do not hesitate to contact our Investment Services Division.

REFOCUS STRATEGY WELL UNDERWAY

Over the last six months, we have given considerable focus to this property. As previously outlined in your last Investor Update, a large space user has been identified for the property. The proposed tenant, a significant retailer, will occupy approximately 1,300m² of space. Final agreements are expected to be executed in the next month. Some of the existing tenants will need to be relocated in order to accommodate this new tenancy. We are currently finalising negotiations with those affected.

A development application to accommodate the use of this significant retailer was approved by the town planning authorities of the ACT in December, 2000. It is hoped that works will commence in May with a pre-Christmas opening of the tenancy.

We believe that this new retail tenancy will create opportunities for the existing retailers and attract new tenants who wish to trade off this tenancy. It should prove advantageous to both the profile and value of this property.

ACT GOVERNMENT RENT REVIEW

In your last Investor Update, we referred to the market rent review for the ACT Government's lease of the office component which represents 30% of this property's income. This review has now been completed. The rent review was initially to cover a two year period (until 30 June, 2002). However, we have been able to negotiate the rental for this space for the next four years (i.e. until June, 2004) at a higher rate than the vendor's guarantee for this space. Reference to this guarantee is contained in the summary of the Homeworld purchase contract in the prospectus. As a consequence of the conclusion of the rent review, the cash security held to secure the Vendor's rental guarantee has now been released to the Vendor.

We believe the result will be beneficial to investors with the newly agreed rental providing for ongoing rental growth from the office component of the property over the four year period. The finalised rental should have a positive effect on the value of the property at the next revaluation.

Recent article in the Australian Financial Review



CAPITAL



PAYG *Unravelled*

With the introduction of GST and The New Tax System, we are now sending all investors a quarterly statement to assist with the determining of your PAYG instalment income.

We have received some feedback from investors who have invested via the Syndicate, that they have been advised by other fund managers of the actual amount of instalment income they should include in their quarterly Activity Statement. We do not provide the instalment income amount to include in your Activity Statement, as the calculation of this figure will be determined by a formula using your last income year (ie the last tax return you have completed).

CHANGING YOUR BANK DETAILS OR MOVING

DON'T FORGET TO LET US KNOW

To ensure that you keep receiving your monthly income distributions don't forget to advise us if you change your bank account details in order that the electronic credit distribution system does not reject the transfer. Likewise, if you are changing your mailing address (as shown on the Syndicate or Trust Registers) we need to be notified.

Any changes need to be notified to us in writing and signed by the applicant/s who signed the original application form.

FOR FURTHER INFORMATION CONTACT:

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DEVELOPMENT CONSULTANT

Appointed

In October 2000, Queensland Property Corporation (QPC), Development Managers and Consultants were appointed as a development consultant/manager to Homeworld as a consequence of the considerable refurbishment and tenancy relocation and co-ordination issues related to the large space user going into the property.

QPC's charter also includes investigating additional value adding development opportunities for the Homeworld property.

INVESTOR SERVICES PERSONNEL

WHO TO CONTACT?

If you have any queries about your investment, please contact our Manager - Investment Services, Bronwyn Risk or Mary Gallegos.

SOMETHING ABOUT MARY...

In July last year, Mary Gallegos joined Property Funds Australia's Investment Services division. We welcome Mary to our team and trust that she will be able to assist you with your general investment queries.



Mary Gallegos

CHANGE OF EMAIL ADDRESS

We have recently shortened our email address to pfaltd.com.au.