

monthly distribution sent by electronic transfer

When will I receive your Income?

You will have now received your first income distribution from the properties. To assist you we have sent a notice advising of the amount that has been deposited into your bank account.

All future distributions will be made not later than the 21st of each month which means that the money will be in your bank account on the 23rd of the month. We will not be sending you future monthly distribution notifications.



Reception area of MacGillivrays Solicitors, Anzac Square offices

tax return time

What will I we provide?

To facilitate the completion of your tax returns, we will arrange for the preparation and lodgement of the tax returns for the Syndicate and Trust as soon as possible (approximately 6 weeks) after the end of each financial year. You will then receive a distribution summary and statement showing the details needed by you to complete your individual tax returns.

investor services

Who to contact?

If you have any queries about your investment, please contact our Manager - Investment Services, Bronwyn Risk. Bronwyn is responsible for investor liaison and also manages the maintenance of investor records and income distributions. Bronwyn has a strong background in the financial services and financial planning industry and understands the needs of investors.

for further information contact:

Bronwyn Risk

Level 14, 127 Creek Street, Brisbane Q. 4000
PO Box 10398, Brisbane, Adelaide St. Q. 4000
Tel: (07) 3221 7170 • Fax: (07) 3221 6729

info@propertyfundsaustralia.com.au

Macgregor macgregor property Update

Ross Nielson Properties Pty Ltd (RNP) delivered the property over at settlement with the development approval contractually required for the development of the buildings providing additional gross floor area in excess of 6,000m². RNP has awarded to SWC Projects Pty Ltd the building contract for the construction of building 1 which is due for completion in September. A leasing marketing campaign has commenced in respect of building 1 and RNP are in discussions with prospective tenants of this building. RNP provide a twelve month rent guarantee over any unlet areas upon building completion. Existing tenants have had input and consultation into the works program that affects their carparking and access so as to minimise any effect on their businesses during the construction of building 1.



Macgregor Property, Building 1 construction and leasing campaign underway

all properties have now settled

All of the properties have now settled. As you will recall from the prospectus, the Coorparoo property was not due to be settled until June however the construction of this property was completed well ahead of schedule. This has enabled us to achieve an overall average of eleven days earlier than the anticipated settlement dates.

The early settlement timeframes is a credit to the vendors who have managed the relevant refurbishments, constructions and development approval processes to generally meet the target timeframe. The earlier timeframes enables us to deliver marginally better returns to investors.

Set out below is the settlement timetable comparing the actual settlement dates achieved against the anticipated:-

Property	Anticipated Settlement Date	Actual Settlement Date
MacGregor	31 March, 1999	1 April, 1999
Anzac Square Offices	31 March, 1999	9 April, 1999
Coorparoo	11 June, 1999	30 April, 1999



The completed Coorparoo property

WELCOME

Welcome to your first edition of the Metropolitan Mail. To assist you to keep up to date with your investment in the Metropolitan Collection - Brisbane we will be sending you a copy of this newsletter every six months. We hope that you find your newsletter both informative and interesting.

INVESTOR PROFILE

As joint owners in a portfolio of properties you may be interested to know some detail of those who also invested in The Metropolitan Collection. There are some 580 Metropolitan Collection investors. They include institutions, private individuals, companies, wholesale investors and superannuation funds. The average investment was \$28,500 which equates to .17% effective percentage of ownership.

Anzac anzac square offices Update

At the time of the issue of the Prospectus, there were still outstanding works to be completed on this fine property. Energex and MacGillivrays, Solicitors have now completed quality fitouts of their premises and are in occupancy of their respective premises.

An example of the Energex fitout is shown.

There were minimal defects found upon the completion of the Anzac Square office refurbishment. The defects are being attended to by the vendor.

The retail component of the Anzac Square complex is due to open on 31 May and we understand from the vendor that the leasing interest in that property has been strong.

The residential and serviced apartments are due for completion on 1 August. After refurbishment of the entire complex, we are sure that a positive contribution to the urban fabric of the Brisbane CBD will have been made.

Acquisition costs

How do the acquisition costs compare with the forecasts?

We are pleased to advise that the actual acquisition costs are expected to be \$643,488 less than those estimated in the Prospectus. Listed below are the expected actual costs as compared against the prospectus estimates. As the actual acquisition costs were less than projected, a significant positive balance was established in the National Australia Bank account at settlement.

Part of the cost savings are attributed to the net lettable areas of the



Energex Boardroom, Anzac Square offices

Coorparoo Property being 117m² less than the target contractual arrangement with the vendor.

Expense Item	Prospectus Estimate	Actual
	\$	\$
Acquisition Price of Properties	35,249,000	35,033,622*
Stamp Duty & Registration Fees on		
• Purchase and Option	1,289,699	1,280,602
• Mortgage	98,470	98,087
Legal Fees – Acquisition & Prospectus	110,000	144,321
Due Diligence Consultant Fees	178,130	125,328
Acquisition Fee	1,762,450	1,762,450
Prospectus Issue & Promotion Expenses	60,000	63,573
Borrowing Costs	488,000	179,959
Trustee Establishment Costs	12,500	12,719
Contingency	101,751	5,851
Total Acquisition Costs	39,350,000	38,706,512

* Note that the acquisition price above includes the final development payment of \$1,500,000 that is due for payment in September 1999, upon the completion of Building 1 at the Macgregor Property.

Coorparoo

coorparoo property

As previously mentioned and to the advantage of investors, this property was completed 41 days ahead of schedule. The quality of the finish is more than pleasing. The property was constructed with a net lettable area 117m² less than the target area (i.e. 2.3%) resulting in an agreed price reduction in accordance with contractual arrangements.

The National Australia Bank central mortgage processing centre now occupy the office space which should meet their needs well into the next millennium. The bank's employees have the benefit of the good retail facilities nearby and a park that has now been established adjoining your property.

The vendor's marketing of the retail component is proceeding in accordance with the plan. Leases secured to date include:-

- On Time Copy Centres (a photocopy centre franchise) for a term of ten years of shop 1.
- The Vineyard Wine Bar for a five year lease of shop 5. The wine bar should create a good attraction for food outlets.

The vendor is currently concluding negotiations with a noodle bar operator and a sandwich bar in respect of two other

shops. It is expected that now that the development is complete and the quality of the development is known, that there should be good leasing interest in any unlet space. It should be remembered that the vendor provides rental support on any vacant areas for the period of their initial vacancy for up to five years after the settlement date.

Virtually contemporaneous with the completion of the Coorparoo property, there has been the completion (directly opposite the property) of a small office development with two retail shops. This other property has also been completed in a quality fashion and has added to the ongoing increase in appeal of this precinct.



Harries Road aspect of the completed Coorparoo property

Finance

Diversity in Financiers Chosen

An integral part of being able to deliver good income returns to investors is the selection of an appropriate finance package for the debt portion of the acquisition.

After reviewing a variety of finance submissions, PFA chose a blend of financiers, finance terms and arrangements. The property acquisition loan financiers were ANZ Funds Management (in respect of

the Coorparoo and MacGregor Properties) and Colonial First State Funds Management (in respect of the Anzac Square Offices). This spread of financiers has provided a more flexible and competitive finance package than had we obtained the finance from one financier. The terms of the acquisition loans were within the parameters outlined in the prospectus including:-

- Interest only payments during the term of the facility;
- Initial terms of five years;
- Fixed interest rates with 54% of the acquisition debt fixed for five years and

46% for three years. This was done to minimise exposure to one review date.

- Loan Establishment fees of .5% rather than the 2% contemplated in the Prospectus.

As mentioned in the Prospectus, other facilities were required such as a revolving facility (ie. overdraft) for up to \$520,000 (arranged with the National Australia Bank) and a Bank Guarantee of \$1.5M for the MacGregor property pending the completion of Building 1 (arranged with Colonial State Bank).

The average interest rate achieved on the

initial acquisition loans was 6.66% as compared to that used in the Prospectus forecast of 6.5%. This fractionally higher interest rate was chosen as it was more than compensated for by a significant saving in the forecast loan borrowing costs in the sum of \$308,041. Even after the slightly higher interest rate has been taken into account, **the Manager has generated a saving of \$125,841 for the Syndicate over the initial five year term of the loan facility.**

Three registered mortgages over each of the properties were provided to each of the principal financiers, being ANZ Funds

Management, Colonial First State Funds Management and Colonial State Bank (the latter to be released later this year). A Priority Agreement governing their respective order of entitlements was entered into between those financiers and Trust Company of Australia Limited on behalf of the Syndicate Owners.

The financiers' security was limited to the assets of the Syndicate (i.e. the properties and the income from the properties). As explained in the prospectus, **the financier is not entitled to make a claim against any investor's other assets.**



PROPERTY FUNDS
AUSTRALIA LIMITED

THE METROPOLITAN