

## SPECIAL UPDATE

## IN BRIEF

This Special Update for the PFA Diversified Property Trust includes important information on the following:-

- ▲ Post Office Square Sale
- ▲ A Special Distribution
- ▲ The Introduction of a Special DRP
- ▲ 180 Queen Street Acquisition
- ▲ Acquisition of Civic Tower, Sydney
- ▲ Product Disclosure Statement No. 3
- ▲ Amendments to the Trust Constitution

POST OFFICE SQUARE SALE  
& SPECIAL DISTRIBUTION

As advised in your last Investor Update and 2005 Annual Report, as a consequence of the proposed sale of Post Office Square it is our intention, as Manager, to make a special distribution of 6.76 cents per unit to unitholders recorded on the register of the PFA Diversified Property Trust ('the Trust') as at 30 June, 2005.

The special distribution will be made from the capital profit which will arise from the sale of the Post Office Square property.

We are now pleased to advise that the put option for the sale of Post Office Square has recently been exercised and the sale of this

property is unconditional. Settlement is due to occur on or about 23 November, 2005.

The Special Distribution will be paid to you by electronic funds transfer approximately fourteen (14) days after the settlement of the sale contract of Post Office Square unless you choose to reinvest via the Special Distribution Reinvestment Plan (DRP), the details and documentation which accompany this Investor Update. If you are a unitholder who became registered after 30 June, 2005 that documentation is not accompanying this update as it is not relevant to you.

180 QUEEN STREET, BRISBANE  
ACQUISITION COMPLETED

On 31 October, 2005 the Trust completed the acquisition of 180 Queen Street, Brisbane for a purchase price \$18.0M.

180 Queen Street is a heritage listed retail and commercial office building located in the heart of Brisbane's Queen Street Mall.

The building was purpose built for the National Australia Bank and was completed in 1930. It underwent extensive refurbishment works in 1990/91.

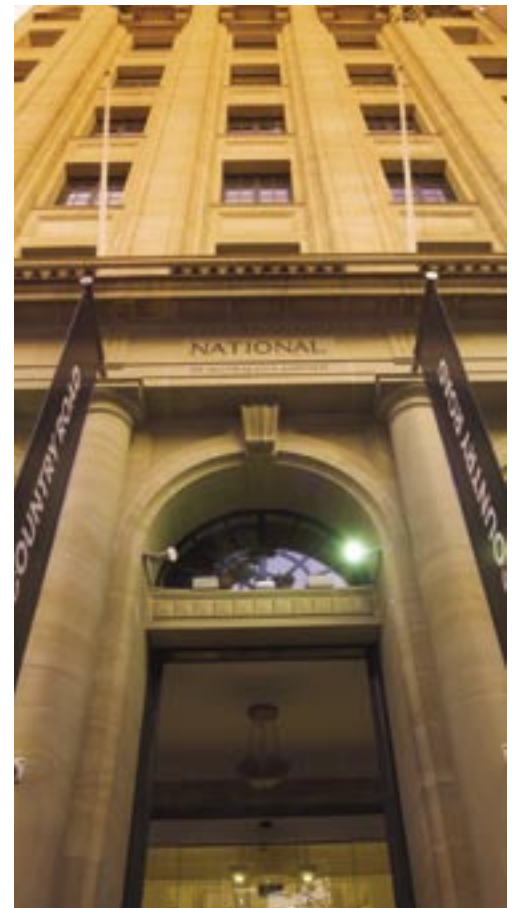
The building comprises nine levels. The ground and mezzanine levels which used to comprise the original banking chamber are now occupied by fashion retailer Country Road on a lease through to 2010. The basement level operates as a safe deposit facility for the National Australia Bank Security Deposit. The upper levels provide commercial office accommodation comprising larger tenancies and reasonably unique heritage style individual suites ranging in size from 15m<sup>2</sup> to 492m<sup>2</sup>.

The property is located on the northern end of the Queen Street Mall between

David Jones and the Broadway on the Mall retail complex. It is directly across from the significant Wintergarden retail/Hilton Hotel complex. This end of the mall has recently undergone a transformation with the completion of the upmarket retail shopping complex, Queens Plaza, incorporating a new David Jones store. The next stage of the Queens Plaza development is currently under construction.

PFA Managing Director, Mr Chris Morton, said "We are pleased with this new acquisition for the Trust. With the pending sale of Post Office Square, it provides the opportunity for the Trust to continue to have some retail property exposure within the Brisbane CBD. We also believe that the property has some interesting value-adding potential in the medium term particularly within the office component. The acquisition delivers an initial yield of around 8% to the Trust."

The acquisition of 180 Queen Street was funded from cash reserves and further funding under the Trust's Joint Finance Facility.



180 Queen Street, Brisbane

# TRUST ACQUIRES 50% INTEREST IN CIVIC TOWER, SYDNEY CBD

On 24 October, 2005 it was announced that the PFA Diversified Property Trust and Australand had entered into an unconditional contract to acquire as tenants-in-common in equal shares Civic Tower, 66-68 Goulburn Street, Sydney for \$104.5 million.

Civic Tower is located on a prominent corner in the Sydney mid-town sector. The property has frontage onto both Castlereagh and Goulburn Streets and is situated in close proximity to the recently completed World Square development. The property comprises a 22,932m<sup>2</sup> office tower over 24 floors with a small retail section of 257m<sup>2</sup> on the ground floor. Typical floor plates are 940m<sup>2</sup> NLA with central core configuration and column free. The property has a 4½ star SEDA green rating.

Civic Tower was completed in late 2004 within the airspace above the existing Masonic Centre – belonging to the site's freehold owners, Masonic Investments Ltd. Masonic has granted a 125 year lease (expiring on 16 August, 2116) over the airspace in which the office tower is located.

The property's existing three major tenants include Publishing Broadcasting Limited (PBL), The Federal Department of Public Prosecutions and Keddies Litigations Lawyers. These tenants represent 67% of the property's income and are secured on 10 year leases. Floors 23 to 30 (approximately 7,800m<sup>2</sup>) are presently vacant. PFA and Australand are confident of leasing interest in the remaining space due to the building's recent completion, general quality and green building focus as well as the panoramic views from these remaining upper unlet floors.

PFA and Australand have also finalised an agreement with Challenger Property Asset Management Pty Limited ("CPAM"), in which CPAM provides rental and other support for the property over the next 3 years whilst this remaining vacancy is let, thereby minimising risk for the Trust.

PFA Managing Director, Mr Chris Morton, said "We are pleased with this new acquisition. It provides a number of diversification benefits to the Trust including our first exposure to the commercial office market in Sydney, or just Sydney (for that matter). The acquisition delivers to the Trust a fully leased acquisition yield of 7.5% with existing rental income growing at 4% per annum (approximately)."

"The opportunity to acquire a commercial property in joint venture with Australand has enabled the Trust to gain exposure to this asset without increasing the Trust's exposure to a large single property or tenants."

"The property also matches well with the acquisition assumptions contained in the Trust's recently released PDS."

Settlement of this acquisition is expected in November, 2005. The funding of the acquisition is essentially from the sale of Post Office Square.



*Civic Tower, Sydney*

## AMENDMENTS TO PFA DIVERSIFIED PROPERTY TRUST CONSTITUTION

On 20 October, 2005 Property Funds Australia Limited amended the PFA Diversified Property Trust Constitution. One of the consequences of the recently introduced Australian Equivalent to the International Financial Reporting Standards ("AE-IFRS"), which apply to the Trust for financial years commencing on or after 1 January, 2005, is that unitholders' funds are now classified as a liability of the Trust rather than equity (as was previously the case).

The Trust Constitution calculates a number of items, for example unit issue prices, redemption prices, manager's fees, Trust borrowing limitations and distributions to unitholders ("Items"), directly or indirectly, by reference to Net Scheme Values. Net Scheme Values have been previously calculated by essentially deducting Trust liabilities from Trust assets. Where unitholders' funds are included as a liability the calculation of Net Scheme Value results in a nil amount rendering calculations of the Items meaningless.

In accordance with general ASIC relief granted for such purpose, Property Funds Australia Limited as responsible entity amended the Trust Constitution to provide that for the purposes of determining the Items, the accounting standards as they existed immediately prior to 1 January, 2005 (i.e. before the commencement of the AE-IFRS) are to be applied. This ensures unit issue prices, redemption prices, manager's fees, Trust borrowing limitations and distributions to members are calculated in the same manner as they were originally intended under the Constitution (i.e. prior to the commencement of AE-IFRS).

### For Further Information Contact:

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

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## PRODUCT DISCLOSURE STATEMENT NO. 3

PDS No. 3 was recently released to raise a further \$20 million (and issue 18,348,624 more units) to enable the Trust to fund future property acquisitions. Key features and benefits of this latest PDS include:-

- ▲ **Forecast annualised distribution rate 8.7%p.a.\*** during the forecast period based on the Offer Price of \$1.09 per Unit;
- ▲ **61%\*\*** of the forecast distributions are expected to be **Tax Deferred** in the financial year 2005/06; and
- ▲ A \$341M diversified property portfolio including the recently acquired 180 Queen Street, Brisbane.

A copy of a brochure relating to the PDS accompanies this Investor Update.

For further information or to request a copy of the PDS please contact your financial adviser. If you do not have a financial adviser then please call us on 1800 687 170. Alternatively, you can view PDS No. 3 on our website at [www.pfaltd.com.au](http://www.pfaltd.com.au).

- \* The forecast distributions and related underlying assumptions are set out in detail in section 6.2 of the Product Disclosure Statement.
- \*\* For further information in relation to the tax deferred percentage please see section 6.2 Note 12 of the Product Disclosure Statement.