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Property Fund Managers

Press Release/BSX Announcement

(2 pages)

PFA DIVERSIFIED PROPERTY TRUST TO ACQUIRE MELBOURNE HOTEL PROPERTY

Property Funds Australia Limited ("PFA"), the responsible entity of the PFA Diversified Property Trust ("the Trust"), announced today it has entered into an unconditional contract to purchase a hotel property located at 270 Flinders Street, Melbourne for \$34.0M.

The property is a 182 room four star hotel which is centrally located on Flinders Street between Elizabeth Street and Swanston Walk, directly across the road from Flinders Street Station. The hotel was totally redeveloped from its previous use as an office building in 2002/03 and it possesses a contemporary fitout. The hotel is only 100 metres from Federation Square and within walking distance to the Melbourne retail and commercial heart as well as major sporting, shopping and entertainment venues such as Crown Casino.

This hotel property is currently known as a Ramada. However, following the acquisition by the Trust, the hotel will be leased to Citigate Melbourne Pty Ltd for 10 years and managed for that company by Mirvac Hotels Pty Limited under its Citigate brand.

Mirvac currently manages over 30 hotels and resorts throughout Australia and New Zealand. Some of Mirvac's hotel brands include Sebel, Quay Grand, Quay West, Sea Temple and Citigate.

Property Funds Australia Limited Managing Director, Mr Chris Morton, said "We see the addition of a hotel property to the Trust as a great opportunity to add another property sector to the Trust's portfolio further enhancing its diversification, as is the charter for the Trust. We are very positive about the growth prospects for room rates in the Australian hotel market, including the Melbourne hotel market, and in particular the 4 star hotel category in which this hotel lies. Further, there are also opportunities for improvement to this hotel through re-branding, intensive management and marketing."

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The property has been purchased at a price of \$186,819 per room.

The addition of this property is being funded from existing cash reserves and a further advance under the Trust's debt facilities. With a clear strategy for the Trust to continue to grow its asset base through the acquisition of quality investment grade properties, the Trust is undertaking a \$20M capital raising through a new product disclosure statement - PDS No. 4.

The PFA Diversified Property Trust is an open-ended Bendigo Stock Exchange listed property trust. Following the completion of the acquisition of the Melbourne hotel property, the Trust will own a portfolio of 16 properties valued at \$374 million. The Trust's property portfolio is located in all states and territories (except South Australian and Northern Territory) and is spread across the retail, office, industrial, car park, entertainment and hotel sectors.

The sale of the hotel was negotiated by Mark Durran, Senior Vice President Investment Sales, Jones Lang LaSalle, Sydney.

For further information, please contact Chris Morton (Managing Director of PFA) on (07) 3221-7170 or cmorton@pfaltd.com.au.