

## 5.26 Cents Special Distribution To Unitholders

As a consequence of the sale of the Garden Square Office Park, it is the intention of PFA to make a special distribution to unitholders on the following terms and conditions:-

### *Amount of special distribution:*

**5.26 cents per unit**

### *Record date for distribution:*

**1 March, 2007**

Investors who become unitholders on the register after 1 March 2007 will not be entitled to this special distribution. Should a unitholder on the register as at 1 March, 2007 subsequently sell their units they will still receive the special distribution subject to the conditions below.

### *Payment date:*

### ***Approximately fourteen (14) days***

***after settlement*** of the sale contract for Garden Square Office Park. Pursuant to the Contract for Sale, this settlement is scheduled to be on 28 February 2007.

### ***Conditions:***

The special distribution is conditional upon the completion of the sale contract for Garden Square Office Park referred to above.

### ***Capital Gains Tax:***

Unitholders receiving the special distribution will be liable for the payment of any capital gains tax on the gain on sale of the Garden Square property. Advice as to the amount of this capital gain will be given in the annual income statement forwarded to unitholders after 30 June 2007.

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## Garden Square Sold Well Above Its Book Value



In the 2006 Annual Report, we reported on the potential sale of the Garden Square Office Park located at Upper Mt Gravatt, Brisbane. We have recently announced that we have entered into, on behalf of the Trust, a contract for the sale of Garden Square to Stockland Trust Management Limited on behalf of the Stockland Trust.

The agreed sale price is \$57M which is well above the property's book value of \$35M as at 30 June 2006. The sale contract provides for settlement on 28 February 2007.

Under the contractual arrangements, the Trust is to bear the cost of any outstanding tenancy related incentives (e.g. rent free periods given to tenants) and provide a one year rental guarantee over a remaining vacant space (approximately 900m<sup>2</sup>) of which we are currently finalising negotiations for letting. The cost to the Trust under these arrangements is expected to be minimal.

Garden Square was purchased in 1998 and is the longest held property of the Trust (and its sub Trusts). The property was bought by the Trust for a price of \$20.6M. The sale price at \$57M represents an initial yield of around 6.5%.

We have progressively been reporting on the status of leasing and capital works at the Garden Square property particularly as we

have undertaken considerable restructuring of its leases following the expiry of a long term Coles Myer lease in December 2004.

This activity has resulted in the Queensland Government having a significant presence providing around 53% of the income of the property, with private tenants such as Citibank and Trendwest also represented. The office park has approximately 12,600m<sup>2</sup> of office and is currently 93% leased.

PFA's Managing Director, Chris Morton said "The Board of PFA determined, after a strategic review of the Trust's portfolio, that the sale of the Garden Square Office Park was appropriate. This divestment is consistent with the ongoing diversification strategy of the Trust, particularly given the extent of the Trust's material overweight nature to Brisbane office."

"We are currently pursuing replacement assets for Garden Square. Initially, it is unlikely that these funds will be reinvested into Queensland as we remain committed to our strategy of increasing the Trust's geographic and sector diversification. PFA is actively seeking to acquire \$80 to \$100M of quality properties throughout Australia during this first half of the year."

# BSX Trading

During the 6 month period to 31 December 2006, the weighted average price per unit that units in the Trust have traded on the BSX has been \$1.11. This is an increase of 4 cents per unit from that previously reported for the financial year ended 30 June 2006. The last trade at 31 December 2006 was \$1.15 per unit. Whilst limited trading has since 1 January 2007, the weighted average price per unit of Trust units that have traded on the BSX has increased to \$1.19.

The market capitalisation of the Trust as at 31 December 2006 was \$218M.

The total trade volume for the 6 month period was 1.78 million units. Comparatively the total trade volume for the year ended 30 June 2006 (i.e. a 12 month period) was approximately 3.3 million units.

## BSX Update

In 2005, the Bendigo Stock Exchange (BSX) was acquired by the Newcastle Stock Exchange (NSX). Since the acquisition of the BSX by the NSX, both exchanges have continued to operate separately. Following

the changes, there have been some minor changes to the operation of the BSX, one of which has been the extension of market trading hours which are now between 9am – 2.30pm. On 21 December 2006, we were advised that Ministerial approval has been granted for the Newcastle Stock Exchange to be renamed the National Stock Exchange of Australia.

It is being proposed by the BSX that there will in due course, be a migration of the BSX listed entities to the National Stock Exchange. However, a definite timeframe for this to occur has not been finalised as it requires the approval of the Australian Securities and Investments Commission. As reported in the 2006 Annual Report, we have been considering a review of the structure and strategy of the Trust (including its liquidity). However, we are unable to report at this time on that review. We will continue to report on any material changes to the Trust's listing on the BSX and any possible transition to the new National Stock Exchange should that be the recommended course of action.

## 5.26 Cents Special Distribution To Unitholders (continued)

### Background

The special distribution is proposed to be made out of the capital profit which will arise from the Garden Square Office Park sale. The Garden Square property was carried in the financial statements of the Trust, as at 30 June 2006, at a book value of \$35M. The net sale price under the Contract for Sale (after deduction of the cost to the Trust of outstanding tenancy related incentives and the currently anticipated cost of rental guarantees) will be in the vicinity of \$56M.

### Timing of Special Distribution

The special distribution will be paid by electronic funds transfer approximately 14 days after the settlement of the contract of Garden Square. Your receipt of the special distribution into your bank account should therefore be **expected to occur in mid-March 2007**.

**No distribution reinvestment plan will be offered at the time of this special distribution.**

# Leasing Update

The Trust portfolio (based on income and including rental support arrangements as a letting) continues to have a low vacancy rate of below 1.5%. A number of leases have been finalised recently which we are pleased to report.

## Civic Tower

In the 2006 Annual Report, we reported that heads of agreement had been reached to lease 3 of the vacant floors in Civic Tower. Leases have now been signed for each of the three floors.

Publishing & Broadcasting Limited (PBL) has commenced a new lease for an additional floor, Level 23, of the property. This new lease is for a further 975m<sup>2</sup> to 2016. PBL now occupy 10 floors of this property and account for approximately 41% of the property's income.

We can also announce that business advisors and chartered accountants, William Buck NSW, have commenced a 10 year lease from 1 January 2007, for levels 28 and 29 of Civic Tower. William Buck are a long established chartered accountancy firm. They deliver a complete range of professional services, with over 520 professionals and 55 partners in five offices located throughout Australia.

A 5 year lease has also been signed for a café to operate from the ground level of Civic Tower. Following the completion of approvals and fitout, the café is due to commence its operation in March.

## The Citigate, Melbourne

In June 2006, the Trust acquired its first hotel property located at 270 Flinders Street, Melbourne. At the time of acquisition, this property was operated as a Ramada hotel. As advised in Product Disclosure Statement No. 4, at the time of acquisition of the hotel, Mirvac Hotels commenced the management of the hotel and re-branded it under its Citigate brand. We are pleased to report that the hotel re-branding and management changeover has occurred smoothly. We can also report that the hotel is trading well and it is expected that Mirvac will be expanding its Citigate brand within Australia during 2007, giving it a greater presence in the hotel market. In a recently released survey by Jones Lang LaSalle Hotels, it has been reported that the Melbourne hotel market has grown its occupancy levels and had the second-highest average room rate behind Sydney. It has also been reported that Melbourne's hotel demand has grown due to its improved flight connectivity (international and domestic) and the city's ongoing program of events.

## Anzac Square Offices

Works are due to commence on the foyer of Anzac Square Offices to enable the coffee shop operator, Extract Coffee, to expand its successful operation. Given the heritage nature of the property, it has been necessary to gain proper heritage approvals to undertake the works. An additional doorway will be cut through the wall adjoining the coffee shop to enable access and café seating in the Anzac Square foyer. The inclusion of cafes within CBD commercial

## Key Data - 706 Mowbray Road

<b>Location:</b>	706 Mowbray Road, Lane Cove, NSW
<b>Principal Use:</b>	Commercial/Industrial
<b>Title:</b>	Freehold
<b>Date to be Acquired:</b>	January 2007
<b>Date Built:</b>	1987
<b>Net Lettable Area:</b>	16,968m <sup>2</sup>
<b>Site Area:</b>	1.756 hectares
<b>Weighted Av. Lease Expiry:</b>	6.22 years

## Current Valuation Information

<b>Valuation:</b>	\$29.33M
<b>Value/m<sup>2</sup> (NLA):</b>	\$1,705
<b>Valuation Date:</b>	December 2006
<b>Valuer:</b>	LandMark White (NSW) Pty Ltd

office foyers has now become more common throughout Australia. The expansion of the café space will provide additional rental and appeal to this property.

A lift interior refurbishment program is also being carried out in Anzac Square Offices to deal with the wear and tear of normal use of such lifts.



*Extract Coffee, Anzac Square Offices.*

# Trust Acquires 706 Mowbray Road, Lane Cove

706 Mowbray Road, Lane Cove



We recently announced that we had entered into an unconditional contract, on behalf of the Trust, to purchase an industrial/office property located at 706 Mowbray Road, Lane Cove, Sydney for \$29.265M.

706 Mowbray Road, Lane Cove was constructed in 1987 and is a multi-level, hi-tech industrial complex comprising of two, three level office buildings, two warehouse levels and four levels of basement parking. The property comprises a land area of 1.756 hectares and has a net lettable area of around 17,000m<sup>2</sup>.

The property is located less than 10 radial kilometres from the Sydney CBD. The property is easily accessible given its prominent location on Mowbray Road and its close proximity to the M2 Motorway and the soon to be completed Lane Cove Tunnel.

The property has six quality tenants and a strong 6.22 year weighted average lease expiry. Major tenants include Atlab Group Pty Ltd and Permail Pty Ltd.

Atlab has the largest film processing laboratory and post production facilities in the Australasian region, with operations in Sydney, Melbourne, Auckland and at the Warner Roadshow Studios in Queensland. The Group also includes Atlab Image and Sound Technology, which supplies, installs and maintains equipment in cinemas, and Filmlab Engineering, a leading manufacturer of film processing machines and other laboratory equipment.

Atlab's head office is located at the Mowbray Road property. Services provided from 706 Mowbray Road include Atlab processing and digital services, bulk release printing, Atlab media logistics and group administration. Sound mixing, editing and film processing were carried out at the property for the recent Kennedy Miller hit movie "Happy

Feet". The Group occupy 8,052m<sup>2</sup> (approximately 50% of the property) on a lease to 2018. Atlab is 50% owned by Amalgamated Holdings Limited with the other 50% owned by DX III Holdings and provides a strong lease covenant underpinning the property's income stream.

The property's other major tenant, Permail, have been providing mail-house services for over forty years and occupy 2,806m<sup>2</sup> until 2008.

Subject to current lease negotiations, there is a vacancy around 15% of the property's income. Rental support for this vacancy is being provided for approximately two years whilst the vacancy is let. PFA is confident of leasing this space due to the strengthening of the leasing market that is being occurring in the area.

PFA's Managing Director, Mr Chris Morton, said "We are pleased with this latest acquisition for the Trust particularly given its location within the Sydney market and also the opportunity to increase the Trust's exposure to industrial property. We have gradually been changing the Trust's property profile to enhance its diversification and particularly its weighting towards the Brisbane commercial market. We are positive about the strengthening of this particular leasing market and the continued firming of investment yields in the Lane Cove and North Ryde hi-tech property markets."

The property is being purchased at an initial yield of 8.5%.

The acquisition of this property is being funded from existing cash reserves and a further advance under the Trust's debt facilities.

Settlement is due to occur on 31 January 2007.



# Future Equity Raising

We are currently unable to provide a certain date for the issue of the next Product Disclosure Statement (PDS) for the PFA Diversified Property Trust. A number of factors will determine the timing of this next issue. You or your adviser may wish to register your interest for the next PDS and we will send a copy as soon as it is available. When the next PDS is issued, electronic copies will be available on both the PFA website ([www.pfaltld.com.au](http://www.pfaltld.com.au)) and the BSX website ([www.bsx.com.au](http://www.bsx.com.au)). In the meantime, Trust units can be purchased on the Bendigo Stock Exchange. Further information is available on the BSX website or alternatively please contact PFA's investor services personnel.



Civic Tower, Sydney

## TRUST WINS AWARD AGAIN IN 2006

We are pleased to report that The PFA Diversified Property has again been awarded the Property Trust Industry Award by the Australian Property Institute (Qld Division) in 2006. The Trust also won this award in 2005. Judging for the award is made on the basis of financial performance, management and innovation. We are pleased to again be acknowledged by the Australian Property Institute (Qld Division) for the consistent returns delivered to our unitholders.

## Half-year Results

The Trust audited accounts and interim manager's report for the period ended 31 December 2006 are due to be released shortly and will be available upon request. They are not automatically forwarded to you. Should you or your adviser require a copy, please do not hesitate to contact us. Alternatively, you will be able to view the half-yearly report on the Investor Relations page of our website ([www.pfaltld.com.au](http://www.pfaltld.com.au)) or on the Announcements page on the BSX website ([www.bsx.com.au](http://www.bsx.com.au)). The BSX code for the Trust is PFD.

*API Award 2006: A.P.I. President, Brett McCauliffe together with PFA's Manager, Investment Services, Bronwyn Risk and Managing Director, Chris Morton.*



### IMPORTANT NOTICE

*The PFA Diversified Property Trust (ARSN 097 860 690) is issued by Property Funds Australia Limited (ABN 58 078 199 569) (AFSL No 224106). For full information on the PFA Diversified Property Trust please refer to the Product Disclosure Statement which is available by calling 1800 687 170. You should consider the PDS in deciding whether to acquire, or to continue to hold, the product. This document does not constitute financial product advice. Should you not wish to receive any further marketing material from PFA please contact us on 1800 687 170.*

## 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. Otherwise, the electronic credit distribution system rejects your funds transfer. Likewise, if you are changing your mailing address we need to be notified. Any changes need to be notified to us in writing.

### Investor Services Personnel

#### Who to contact?

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

### For Further Information Contact:

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