

18 April 2007

## **BSX Announcement/Press Release**

(3 pages)



Property Fund Managers

### **PFA DIVERSIFIED PROPERTY TRUST – BSX CODE: PFD PFA AND WESTLAWN TO ACQUIRE THE OCTAGON**

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 50% interest in the Octagon, a commercial office building located at 110 George Street, Parramatta for \$39.0M for the 50% (\$78M for the 100%). The remaining 50% of the property is being acquired by the Clarence Property Corporation Limited as responsible entity for the Westlawn Property Trust. The purchase price includes a \$3.0M rental supplement from the Vendor.

The Octagon is located within the heart of the established financial district of the Parramatta CBD and has dual street frontage onto Phillip and George Streets. It is within close proximity to public transport facilities including the recently upgraded Transport Interchange for train and bus access as well as the Rivercat which operates between Circular Quay and Parramatta.

The Octagon is a modern seven story commercial building comprising ground floor lobby, retail and office space as well as 6 upper levels of quality office accommodation spread across 8 pods. The property also comprises 2 levels of security basement parking for approximately 350 cars. The Octagon has a total net lettable area of approximately 21,000m<sup>2</sup>.

The property has a unique design by an internationally lauded architect and features office space which is divided into two groups of 4 octagonal pods connected by pedestrian bridges from a central lift tower utilising glass backed lifts. The building features excellent natural light and a central atrium. The property was constructed in 1990 and has a 4 star ABGR rating.

The property's major tenants within the commercial office component include the Roads and Traffic Authority (RTA) and Insurance Australia Group (IAG). IAG is the largest general insurance group in Australia with its brands including NRMA, SGIO, SGIC, CGU, Swann and State. RTA and IAG account for 81% of the property's net lettable area. The property also has 15 ground floor retail tenancies. The weighted average lease expiry is 2.1 years, which is supplemented by \$3.0M of rental support to assist with the building's current 7% vacancy

ff:\michael\bendigo sx\octagonacq160407.doc

level. This is expected to result in the property having a reasonably stable fully leased income for four years (approx.).

Property Funds Australia Managing Director, Mr Chris Morton, said "Whilst the property has a relatively short lease expiry profile, we are confident of the strengthening Parramatta leasing market as evidenced by the fall in vacancy rates over the past 12 months. The property has high design quality and also provides very competitive rental levels compared to new property developments which may become available in the market in the future. The property has flexible floor plates which uncommonly enables it to accommodate both smaller and larger tenant requirements. In addition, it has a high car parking ratio which further enhances its lettability in a market such as Parramatta."

"We believe that this property provides diversification benefits for the Trust and an opportunity for further investment into the Sydney commercial office market which we consider has good rental growth prospects over the next few years. We believe that the Parramatta commercial office market is strengthening and by acquiring the property jointly with Clarence Property Corporation it enables the Trust to gain exposure to a size and quality of asset otherwise not contemplated by us for the Trust. The property will require an active level of asset management in the short to medium term which should have consequent value adding benefits in due course."

"In addition, given the property's excellent base building 4 star ABGR rating, we are hopeful of further enhancing it so as to achieve further tenant attractiveness in an increasingly more green focussed tenant market,," said Mr Morton.

Clarence Property Corporation's Managing Director, Mr Peter Fahey, added "We are pleased with the purchase of Octagon for the Westlawn Property Trust and are very comfortable with the long-term prospects of the Western Sydney region. We are also comfortable with the partnership with PFA for the acquisition of this property given the similarities of both businesses."

The property is being purchased at an initial passing yield of 8.1%. The price equates to a fully leased yield of 8.7%.

The acquisition of this property for the PFA Diversified Property Trust is being funded from existing cash reserves.

The PFA Diversified Property Trust is an open-ended Bendigo Stock Exchange listed property trust. Following the completion of the acquisition of the 50% interest in The Octagon property, the Trust will own a portfolio of 17 properties valued at \$445 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.

Property Funds Australia Limited (AFSL No. 224106) is the responsible entity of the Trust. Its directors and officers have a wide variety of background skills and experience critical to the ongoing management of the Trust. PFA is 50% owned by a wholly owned subsidiary of Mirvac Group – a leading diversified property group – listed on the Australian Stock Exchange.

The Westlawn Property Trust owns a portfolio of 14 properties and has total assets of \$320M. The Clarence Property Corporation Limited is the responsible entity for the Westlawn Property Trust.

The sale of the property was negotiated by Robert Harris of Jones Lang LaSalle and John Stinson of DTZ Australia.

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