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Press Release

(2 pages)



Property Fund Managers

PFA DIVERSIFIED PROPERTY TRUST TO ACQUIRE 657 PACIFIC HIGHWAY, ST LEONARDS, NSW

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 commercial office building located at 657 Pacific Highway, St Leonards for \$19.05M.

657 Pacific Highway has a high profile location along the Pacific Highway and is adjacent to the multi-use retail, office and residential complex, The Forum Plaza, St Leonards railway station and bus interchange. St Leonards is located approximately 6 kilometres north of the Sydney GPO and is an established office precinct. The St Leonards office market is a focal point for high-tech companies, as well as service businesses including insurance, advertising and publishing.

The property was constructed in 1970 and was extensively refurbished (including a new façade) in 2005. The property comprises 8 levels of office accommodation and ground floor retail space. The property has a net lettable area of 3,645m².

The property provides quality office accommodation with good natural light and views from the upper floors of the building. Each of the floors have balconies in the north west corner and 3 of the suites on level 2 have terraces. The typical floor plates are 454m² in size and subdivide easily to accommodate smaller tenancies. The property has a good carparking ratio and comprises 46 car spaces over 3 basement levels.

The property is 91% let and has a weighted average lease expiry of approximately 5.7 years. The property has 11 retail and office tenants. The property's main tenants include engineering groups, Sinclair Knight Mertz and Cundall Australia as well as Definitions Health Club. The vendor is providing a gross rental guarantee over all of the vacant areas for 12 months.

PFA's Managing Director, Mr Chris Morton, said "The acquisition of 657 Pacific Highway, St Leonards is the Trust's first acquisition in the Northern Sydney office market and is

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complimentary with the Trust's existing properties located in the greater Sydney region including its 50% interests in both Civic Tower in the Sydney CBD and The Octagon, Parramatta. The Trust also owns a property at Mowbray Road, Lane Cove which also has an office component."

"It has been difficult to secure properties of acceptable quality in the Northern Sydney office market and the opportunity to acquire 657 Pacific Highway will give the Trust a manageable exposure to this market", said Mr Morton.

"We believe the outlook for the St Leonards commercial office market is improving with a steadily declining vacancy rate. We also believe that with the recent tightening that has been occurring in the Sydney CBD and North Sydney office markets will mean that St Leonards will in due course benefit from those conditions in the medium term."

Settlement of the 657 Pacific Highway property is due to occur in early October 2007.

The property is being purchased at an initial yield of 7.63%.

The acquisition is being funded out of part of the \$43M of equity recently raised under the Trust's most recent product disclosure statement as well as a component of debt.

The PFA Diversified Property Trust is an open-ended Bendigo Stock Exchange listed property trust. Following the completion of the acquisition of 657 Pacific Highway, St Leonards the Trust will own a portfolio of 20 properties currently valued at \$653 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, entertainment and hotel sectors.

Property Funds Australia Limited (AFSL No. 224106) is the responsible entity 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 Mirvac Group is expected to own 100% of PFA in mid-October this year.

The sale of the property was negotiated by James Barber of Knight Frank and Tony Anderson of Laing & Simmons.

For further information, please contact Chris Morton (Managing Director of PFA) on 0419 302 600.