

Capital Raising Update

As previously advised, we recently released a product disclosure statement for the raising of \$25 million in units in the Trust at an offer price of \$1.02 per unit. The proceeds of this offer will be used to:

- reduce the debt of the Trust following the increase which occurred as a consequence of the acquisition of the Lands Building;
- buyback up to 5 million units at \$1.00 per unit from eligible unitholders in accordance with the implementation of the off-market buyback offer;
- fund capital works which the Manager considers should occur to underpin and add value to the portfolio.

To receive a copy of the PFA Diversified Property Trust Product Disclosure Statement, please contact your financial adviser. If you do not have a financial adviser then please call us on 1800 687 170 and we will forward a copy of the product disclosure statement ("PDS") to you. Alternatively, you can view it on our website at www.pfaltd.com.au.*

Investment allocations still available for existing unitholders

We have received enquiries from unitholders wishing to invest in the new capital raising who have been unable to meet the priority period for existing unitholders. If this is your situation, we are still able to provide an investment allocation. Please do not hesitate to contact either Bronwyn Risk or David Conquest to discuss an allocation amount and investment timeframe.

Lands Building Acquisition Completed

In your recent Special Investor Update, we highlighted the purchase of a new commercial property by the Trust.

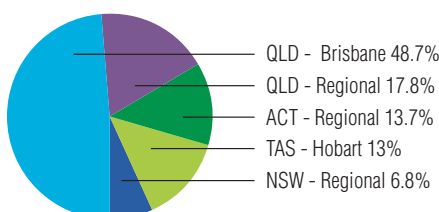
We are now pleased to advise that the acquisition of the Lands Building located at 134 Macquarie Street, Hobart was settled on 10th March, 2004. The purchase price of the property was \$28.92 million.

This acquisition was in line with the Trust's stated strategy of growing the Trust by investing in properties in the price range of \$10 million to \$50 million and which provide stability to distributions. It is also consistent with the stated focus to reduce the historical geographical emphasis on Queensland property. This acquisition has reduced the Fund's exposure to Queensland by 9.5% and increased its office exposure by 8.4%.

Following settlement of the Lands Building, the value of the Trust's portfolio has increased to approximately \$236 million with almost 80% of the portfolio's income coming from national and government tenants.

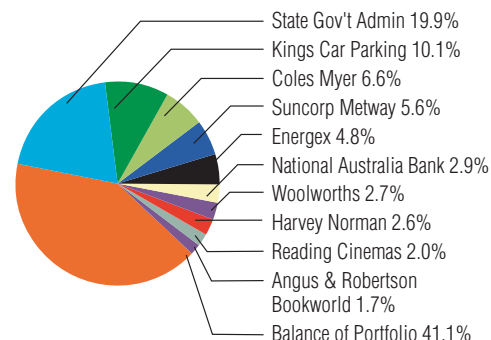
The following pie charts demonstrate the Trust's geographic and sector diversification and the contribution (by income) of the top 10 tenants of the portfolio.

Geographic Diversification

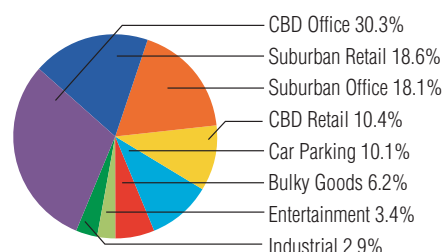


The Lands Building, Hobart

Tenant breakdown (by income)



Sector



Positive Half Year Results

Last month we released the first half yearly report for the Trust. This report includes the audited accounts for the Trust to 31 December, 2003. A full copy of the report can be located on the 'Investor Relations' page of the PFA website (www.pfalt.com.au) or alternatively contacting our office on 1800 687 170.

Of particular note for the six months' performance were the following positive results:-

- Monthly distributions per unit during the period have been \$0.79 per unit (annualised at 9.48 cents per unit) in line with previous forecasts.
- Net Profit (before amortisations and merger costs) for the period of \$4.7M surpassed the previous merger forecasts by 21%;
- Net Profit (after amortisations) for the period was approximately \$2.2M;
- Total revenue up by 5% from merger forecasts;
- Expenses (before amortisations) down 6.6% from merger forecasts;
- Net tangible asset backing per unit increased 7% (approximately) following upon revaluations of six of the properties in the portfolio.

Property Overview

THE LANDS BUILDING

Description

The Lands Building is a 10 level office building located in the prime southern precinct of Hobart's CBD. It is one block from the core of Hobart's CBD in an area recognised as the centre of State and Commonwealth Government activity.

The Lands Building offers tenants generous natural light and impressive views over Hobart and its harbour.

The building is fully leased on a 14 year lease and houses a number of State Government agencies. It is home to the Tasmanian State Government's customer service centre.

The building has recently undergone a substantial refurbishment.

The Lands Building is fully leased to a number of Tasmanian Government agencies.



Key Data

Location:	134 Macquarie Street, Hobart, Tas
Principal Use:	Commercial Office
Title:	Freehold
Date Acquired:	10 March 2004
Date Built:	1976
Car Spaces:	32
Site Area:	1,968m ²
Vacancy:	Nil
Net Lettable Area:	11,675 m ²
Weighted Av.	
Lease Expiry:	14.08 years
Major Tenant:	State of Tasmania
% of Income:	100%
Lease Expiry:	31 March 2018

Current Valuation Information

Value:	\$ 29.0 M
Valuation Date:	March 2004
Valuer:	Knight Frank Valuations*

*Valuation Services (VIC) Pty Ltd trading as Knight Frank

Homeworld Leasing progress for the year was pleasing with seven lease renewals representing 1,527m² of space at new market rental levels. Key tenants to renew their leases were Dick Smith (5 years), Jenny Craig (3 years), Camping World (5 years), On Ya Bike (5 years) and Civic Video (5 years).

In addition, 4 new leases were negotiated including leases to The Games Wizards (10 years) and Asian Grocer (5 years).

Vacancies still exist in 4 tenancies and we continue to pursue a range of services and food type tenants for these areas. Whilst six leases expire in 2004, one of the key ones, Sportsman's Warehouse (787m²) has exercised its 5 year option.

Post Office Square We are currently undertaking a tenancy re-mix to strengthen the centre's retail offer. This will see the relocation of Juice Boost to the former Tie Rack tenancy and the proposed introduction of a fast food chain retailer to the former Juice Boost and King of Cakes tenancies. As part of this strategy capital expenditure has been budgeted to increase the centre's capacity to accommodate full line cooking requirements in shops 6, 24 and 25.

Garden Square A market based rent review of the Coles Myer lease was due on 2 December, 2002. The review subsequently

proceeded to determination by an independent umpire. In late 2003, the market rent review of the Coles Myer lease was completed, resulting in an increase of 10.6% on their previous rent. The new rental increase was backdated to December 2002.

With the lease expiry of the Coles Myer lease in December 2004, we are currently in discussion with Coles Myer to hopefully retain them as a tenant in approximately half of the space presently under lease to them. We are also conducting discussions with State Government agencies, who presently sub-lease space direct from Coles Myer, with a view to securing direct leases with them beyond 2004. We are hopeful of clarity on the results of these negotiations within 3 months.

We have recently reached agreement with Trendwest Resorts to lease an additional 10 car spaces. Minor works will be required to create this additional parking area.

The Precinct In addition to the new Australia Post lease, Mojo's Restaurant, Bar and Café has executed a new 7 year lease over shop 5. Embers Woodfired Pizza Restaurant has re-committed for an additional 5 years, being an early exercise of its option period.

Anzac Square Offices Following the lease expiry and vacation of the Harvey World Built shop on Adelaide Street in

BSX Update

Getting around the BSX

A benefit of listing the PFA Diversified Property Trust on the BSX is the continuous disclosure obligation relating to the Trust. This obligation means that we must regularly communicate to the BSX material

information about the Trust. This is done by way of periodic company announcements.

To be access current and historical company announcements you will need to log-on to the BSX website at www.bsx.com.au. The BSX code for the Trust is PFD. You can access company announcements from the home page either by selecting 'Get a Price' or 'Markets, Prices & Research'. You will then need to select the information type i.e. 'Announcements'.

Whilst we do provide you with current information about the Trust through your regular Investor Updates and more recently in your Special Update, we do encourage unitholders who would like further or more up-to-date information to access it via the BSX website.

You may also wish to visit the PFA website (www.pfalt.com.au). The PFA website also has links to the BSX website from the 'Trust Overview' and 'Investor Relations' pages.

Capital works update

We are conscious of the necessity to maintain the assets of the Trust and to keep them competitive in the marketplace. Consequently, we continually evaluate the properties and consider improvements and capital works required to maintain or upgrade the properties. As such, budget allowances have been made for the following capital works which will be funded out of the proceeds of the current capital raising.

Cairns Hypermart

We have identified the need to undertake the re-painting of specific sections of the external retail façade. We anticipate the re-painting work will commence in the first half of 2004. An appropriate budget has been established for the work.

Post Office Square

Recent work to the centre has occurred with new carpet installed in the common areas. Over the next six months, there will be additional expenditure to improve the centre's signage and amenities.

Homeworld

We are presently undertaking the re-painting of the external awning structure that attaches to the office component and retail forecourt area of the property. This is a condition of the lease to the ACT Government.

Furthermore, we have identified that the retail forecourt area of the property requires an upgrade. The appearance of the forecourt is essential to attracting and retaining tenants in this area. To this end, we have engaged an architect to prepare concept design options. A budget allowance has been set aside in the capital expenditure projections for the first half of 2004.

Riverdale Centre

In the prospectus it was identified that the centre could benefit from a stronger entry statement and signage. To initiate a review of these elements, we are in the process of engaging an architect to consider different concept designs for the centre.

The acquisition process

We have previously highlighted the investment strategy and objectives for the Trust. In light of the new property acquisition, we felt it appropriate to restate the factors considered when purchasing a new asset for the Trust. Property acquisitions are:-

- The subject of independent valuation to be carried out by reputable valuers prior to acquisition to determine fair market value;
- Subject to PFA's usual extensive due diligence investigations;
- Considered after due regard to other factors including:
 - Impact on distributions;
 - Impact on future stability of distributions;
 - The property's forecast income and growth potential.
- Funded through debt or additional capital raisings.

December, 2003, this shop has now been leased to a florist trading as "Flowers by Jane" on a 5 year term. "Flowers by Jane", previously operated within the nearby David Jones store.

388 Queen Street In December, 2003 the lease over Level 8 (371m²) was not renewed by Suncorp Metway. Suncorp Metway continue to lease 9 floors at 388 Queen Street, with expiries not due until September 2005. We are in the process of commencing dialogue with Suncorp Metway to ascertain their ongoing intentions for their lease of this building upon expiry of their current lease.

544 Kessels Road The lease to Hudson Timber & Hardware for the 3,422m² warehouse style building at the rear of the site has now expired. We have however secured a 3 month lease for this space from April, 2004. The rent secured for this short period is equivalent to that paid by Hudson's.

In parallel with this, we are investigating alternative uses for the building and some initial negotiations have commenced with potential tenants. Other re-development opportunities are available to the site with 5,560m² of unused land adjoining the rear building. We currently hold development approval to provide retail warehouse uses within the rear building and adjoining site.

Riverdale We are pleased to advise that shop 8 has been recently leased to Idols Café. This shop was under vendor rental support. There are still three vacancies remaining and we are pursuing a range of different retail uses to complement the existing retail mix and Woolworths.

We have recently relocated the centre manager's office to ensure a higher on-site presence.



The new "Flowers by Jane" tenancy, Anzac Square Offices.

Fund of the week

The Australian Financial Review
www.afr.com.au • Wednesday 24 March 2004

Managed Funds

PFA capitalises on new size to grow and diversify

Fund of the week
Fiona Tyndall

The fun has just begun for the Brisbane-based PFA Diversified Property Trust. The trust, pulled together from the merger of Property Funds Australia products in July last year, is taking advantage of its increased size with a \$25 million capital raising and has plans to acquire more properties and diversify.

to \$400 million to \$500 million in the next 12 to 18 months," said PFA managing director Chris Morton.

"Our key acquisition objective will be to diversify from those geographic locations and sectors where we are already. Given that we have a material bias in our diversification towards Queensland, we would look to increase that diversity to other sectors and geographic locations."

Already this month PFA has

plans for the trust, which has a strong presence in offices, to diversify into the industrial and retail sectors, as well as other states. Mr Morton said the raising will give the trust a predicted distribution rate of 8.3 per cent per annum.

"[It] compares against the average of diversified listed property trusts, which is 7.8 per cent at the moment and the average syndicate offers have been around 8.4 per cent and open-ended trusts have been

researchers, one rating the trust as a quality investment and the management as strong.

"This new equity raising by the PFA provides investors with an opportunity to invest in a well established and diversified property trust, now in an acquisition phase," wrote the research team at Managed Investment Assessments.

"Key attributes of the trust include an attractive yield, a wide range of national and government

Debt Management Update

As previously advised, a restructure of the debt for the Trust has occurred. The resulting finance restructure occurred in two stages with the first stage settling on 6 November, 2003 and the second stage on 5 January, 2004. The weighted average interest rate (inclusive of bank margins) on debt at the completion of the debt restructuring on 5 January, 2004 was 6.67%.

Lands Building Purchase

The joint financiers being Commonwealth Bank of Australia ("CBA") and mortgage funds managed by ING Management Limited ("ING"), have made a further advance of \$31 million associated with the acquisition of the Lands Building. Part of this further advance is to be repaid from the proceeds of the current capital raising.

PFA Internal News



Late last year, Mr Stephen Barnard was appointed general manager of Property Funds Australia. Stephen is a chartered accountant and chartered

company secretary with significant experience in senior roles within the banking and finance and insurance industries. Stephen brings considerable skills and experience to PFA, having worked in previous roles for international accounting firm, KPMG and Queensland Investment Corporation. Stephen's responsibilities include accounting, tax, human resources, IT, general administration, compliance and continuous disclosure. He has also taken over the role of company secretary.

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 Gallegos.

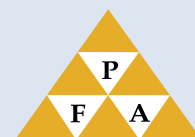
For Further Information Contact:

Property Funds Australia Limited
Level 3, 200 Adelaide Street
Brisbane Q 4000
PO Box 10398
Brisbane Adelaide Street Q 4000

Tel: (07) 3221-7170
Fax: (07) 3221-6729

Email: info@pfaltd.com.au
www.pfaltd.com.au

AFSL No: 224106



**PROPERTY FUNDS
AUSTRALIA LIMITED**

Your Monthly Distributions

As previously advised, your monthly distributions continue to be electronically deposited into your nominated bank account on or about the 21st of each month. Your distribution should be easily identified on your bank statement by the credit coding of "PFA Prop Trust".

In the recently released product disclosure statement, the directors of PFA have forecast that the distribution rate of 9.48¢ per PFD unit per annum is likely to continue through to 31 December, 2004 (subject to the assumptions on which the forecast is based set out in section 6.2 of the PDS).

We have also announced to the BSX a distribution policy at this distribution rate through to June, 2004. Distribution policies are subject to review at all times and may change for any reason.

A personal notification will be sent to you if there is any variation to your distribution rate.

* The PFA Diversified Property Trust (ARSN 097 860 690) PDS is issued by Property Funds Australia Limited (ACN 078 199 569). 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 further marketing material from PFA please contact us on 1800 687 170.