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BSX Announcements

(2 pages)



PFA LOOKS TO SELL POST OFFICE SQUARE

Property Funds Australia Limited (“PFA”), as responsible entity of the PFA Diversified Property Trust (“the Trust”) (BSX code: PFD) announced today it has entered into a put and call option agreement with the CFS Gandel Retail Trust for the sale of the Post Office Square retail and car park development.

The agreed base purchase price under the arrangement is \$68.6 million.

The price is subject to variations depending on the Trust’s ability to generate additional revenue streams by certain key milestone dates. The price may also vary depending on final leasing negotiations over a lease renewal and two vacant tenancies. The Trust has provided a rental guarantee for these areas.

The variable component is currently expected by PFA to result in an end purchase price between \$69M and \$70M.

The put and call arrangements allow for settlement no earlier than 31 August 2005 and no later than 14 December 2005.

Post Office Square is a landmark property located in the heart of the Brisbane CBD. It is directly opposite the GPO and has dual street frontages to Queen and Adelaide Streets. It comprises 27 retail shops and a six level 316 bay underground car park operated by Kings Car Parking. The retail component is predominantly food oriented. Retail tenants include Flight Centre, Angus & Robertson Bookworld, Muffin Break, Gloria Jeans, Coffee Club and Subway.

The property was bought by the Trust at the beginning of 2000 for a price of \$49.56M. The car park represents approximately 50% of the property’s income with the Kings Car Parking lease expiring at 30 November, 2009. The sale price represents an initial yield of around 7.00% (inclusive of agency costs).

PFA's Managing Director, Mr Chris Morton, said "We were approached on an off market basis by CFS Gandel Retail Trust with what we considered to be a very strong offer. We had identified the Post Office Square property as one of the properties which should be disposed of in today's property market. Retail property market yields have firmed significantly enough over the last two years to a level which caused us to consider a sale of a property of this nature."

"We were focussed on the property's possible disposal at the end of the year once we had added a few new income streams. CFS Gandel Retail Trust offered us a purchase structure which allowed us to benefit from these new income streams even though they are currently not in existence. We believe CFS Gandel Retail Trust to be a rare party who can add further strategic value to the property given its current predominance in Brisbane CBD retail with its ownership of the Myer Centre and the recently opened Queens Plaza – approximately 100 metres away from this property. They also get from this operational efficiencies not available to other potential buyers."

"CFS Gandel Retail Trust was also flexible enough and prepared to work with us as to a delayed settlement timeframe so as to give us sufficient time to find a replacement asset."

"We now have until December to settle the purchase of a replacement asset for Post Office Square. Whilst we may be investing some of the returning funds into Queensland, we remain committed to our strategy of increasing the Trust's geographic and sector diversification. That will involve the investment of the funds from this sale as well as additional funds that we have recently raised, plus further funds which we may be looking to raise in August/September this year."

The sale of Post Office Square was negotiated by Matthew Curtain of PRD Nationwide as agent for CFS Gandel Retail Trust. The Trust was not represented by any agent.

For further information, please contact Chris Morton (Managing Director of PFA) on (07) 3221-7170 or 0419 302 600.