

# GARDEN SQUARE *Gazette*

## Good Feedback From First Issue

Our first issue of the Garden Square Gazette drew favourable response from both investors and intermediaries alike. We appreciate your feedback.

Your second PFA Investor Update has been produced to coincide with the end of the financial year and your first Garden Square Annual Report.

As indicated in the prospectus it is our intention to provide updates every six months.

With the establishment phase of the Joint Investment finalised, our role is to ensure that your investment operates smoothly. For you that means ensuring your distributions are received on time each month and that your



property asset (Garden Square) is proactively managed so as to maximise the performance of your investment.



## Property Update *Capital Expenditure - Close to Commencement*

The property has performed well since its acquisition.

We have continued to give effect to a number of the items detailed in the prospectus as our strategy for the property. Significant progress has been made on the capital expenditure program which will be presented to the PFA Board for approval over the next month. The proposed capital expenditure program is in accordance with the amounts used in determining the limits on the overdraft facility and prospectus forecasts. An example of

the work proposed, is the provision of a new pedestrian entrance statement to the property as the office park currently lacks a defined pedestrian point of entrance. An example of an architect's impression of the proposed new entry statement (although this may not necessarily be the final form or concept) is shown above. The new entry statement will more effectively link Garden Square with the adjoining Garden City Shopping Centre and improve the pedestrian access between the 2 properties. Similarly a change of

street frontage landscaping is proposed so as to open up the property and give it a greater presence from the street. This should enhance its appeal to private tenants. A reorganisation of car parking flow and proposed introduction of boom gates will also occur as part of these works.

A more detailed list of the capital expenditure program will be given in the next Garden Square Gazette once the final program has been approved by PFA's Board.

*continued overleaf*



## Focused on Property *Asset Manager Profiled*



Matthew Madsen is Property Funds Australia's Manager – Assets & Acquisitions. Matthew is responsible on a day-to-day basis for ensuring that all properties under PFA's funds management are managed in the best interest of all investors. Matthew's role also includes the general assessment and financial modelling of properties for PFA's future syndications.

Matthew has experience in both the property and property finance sector and previously worked as the Queensland Manager of a property syndicator, property manager for a major international commercial real estate agency and as a property finance consultant.

## Market Update *A Brisbane Office Market Snapshot*

### Interest rates remain low

Historically low interest rates continue to provide positive gearing opportunities in the office sector. Speculation of a further rate cut has been abated by the decline in the Australian dollar. A further reduction in interest rates would probably require a significant deterioration in domestic growth, and/or inflation to come in below the RBA's target rate of 2% - 3%. The Reserve Bank has indicated the appropriate response for a growth shock caused by the external sector is for the currency to depreciate, rather than to reduce interest rates further.

### Tight vacancies push effective rents up

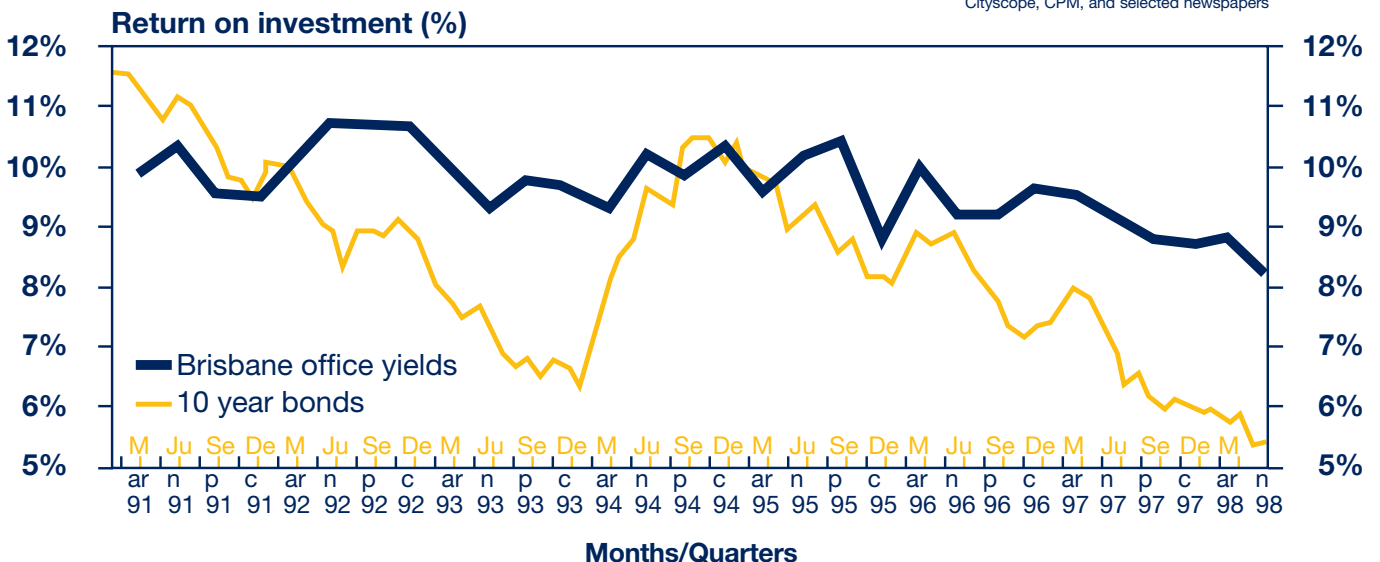
CBD Office vacancy rates as low as 8% and a scarcity of new development projects have created a climate of improved rental growth in Brisbane. Net effective rents are expected to rise in line with tightening vacancies and a shortage of contiguous space, particularly at the premium end of the market. However, space rationalisations and decreasing workspace ratios have pushed the amount of sub-lettable space up in the CBD, with sub-lease space in the city fringe remaining comparatively tight.

### The yield gap is widening

The benchmark 10-year government bond is at its lowest point since the 1960's. As yields on capital markets fall, property investment is becoming an effective way of accessing higher, relatively low risk returns. With quality office stock throughout Brisbane achieving yields of between 8% - 9%, the yield gap between 10 year bonds and office yields has widened to around 3% - 4%. Property trusts and syndications will continue to capitalise on opportunities in the Brisbane market, so as to provide investors with competitive returns on investment.

## Brisbane office yields vs 10 year bonds

Prepared by **PRD Research**  
Source: RBA Bulletin, CBD/Spring Hill Cityscope, CPM, and selected newspapers



## Increase in Syndicate Distribution Proposed

As previously mentioned, the investment performance of Garden Square is in line with prospectus forecasts. As a consequence of the re-signing of one of the expiring tenancies as well as achieving acquisition finance at an interest rate below the prospectus forecast, PFA's Directors have determined that the proposed distribution level to Garden Square syndicate investors should be increased to 10.7% per annum for the financial year ending 30 June, 1999. This is of course subject to continual review based upon the performance of the property.

As the Garden Square Property Trust incurs expenses of its own (e.g. its own audit and registry establishment costs) PFA's directors have proposed that distributions to the Trust unit holders will be maintained until further notice at the prospectus forecast rate of 10.5% through to 30 June, 1999.

## 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 our electronic transfer of your distributions will be rejected. Likewise, if you change your address (as recorded on the Syndicate or Trust Register) we will need to be notified.

All changes must be notified in writing to Property Funds Australia and signed by the applicant/s who signed your original application form.



## What's Happening at Garden City

### *Cinema's Looking Good*

The exciting new 16-screen Birch Carroll & Coyle Senstadium™ located directly across Macgregor Street from Garden Square has been rapidly taking shape. The outer structure of the

complex is now complete with internal fitout occurring. It is due to open in December. When complete, the cinema complex will be one of the largest in Queensland. The launch of the Garden City's Town Square, a vibrant new collection of cafes and restaurants, will coincide with the opening of the cinema complex in December (just in time for school holidays). All of these developments have greatly enhanced the livability and future lettability of Garden Square.

GARDEN SQUARE  
PFA



## Tax Return Time

You are now in receipt of the Distribution Summary you need to complete your tax return. Please read this notice carefully prior to completing your tax return or pass it onto your Accountant or Tax Agent.

# Managed Investments Act 1998

## *Are you affected?*

### **New Legislation**

The Managed Investment Act 1998 was passed by Federal Parliament on 25 June, 1998 and became law on 1 July, 1998. The Act establishes a single "responsible entity" to replace the previous dual responsibility structure of having trustees and managers - e.g. the Garden Square Joint Investment structure.

The Act is intended to address two main criticisms of the previously required structure of Managed Investment Schemes such as Garden Square:-

- confusion over demarcation between the trustee's and the manager's responsibilities; and
- duplication of administration and costs as well as the added costs of co-ordination between the trustee and the manager.

### **How Does this Affect The Garden Square Joint Investment?**

Put simply for Garden Square it is business as usual. The Australian Securities and Investments Commission ("ASIC") which used to be the ASC, has recognised that the current arrangements in place for existing fixed term property trusts and syndicates are acceptable and the financial cost

to investors of converting an existing scheme to this new regime outweighs the benefits. Garden Square will be exempt from compliance with the Act until at least June, 2003 at which time the ASIC will reassess the exemption. You may recall that the target life of the joint investment is through to 2003 in any event.

### **Property Funds Australia Limited – Is it affected?**

The Act prescribes additional requirements for new schemes such as:-

- Corporations Law compliance manuals; and
- professional indemnity and fraud insurances.

As part of our strong commitment to best practice, Property Funds Australia already had most of these new requirements in place before the Garden Square Joint Investment commenced.

Property Funds Australia proposes, as part of our planning for the future, to apply for a responsible entity licence so that it can continue to offer to its investors property investment opportunities similar to Garden Square. These future offers will however be subject to the Act's new structures and requirements.

### **For further information contact:**



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