

GARDEN SQUARE *Gazette*



**PROPERTY FUNDS
AUSTRALIA LIMITED**

QBuild to Leave

Our last update advised of QBuild's intentions to call for an expression of interest for the provision of 2,500m² of office accommodation. Unfortunately, Garden Square was unsuccessful in its bid to maintain QBuild as a tenant. However, their existing lease has been extended through to May, 2003.

In the end, QBuild, after a comprehensive analysis of its needs, determined that it had a particular need for vehicular mobility for their staff

from the requisite premises throughout south-east Queensland. This was to be best served by its relocation to a more central point yet close to the Gateway Arterial. This was to be achieved by a relocation to the Cannon Hill area where a purpose built facility is to be provided for them. In particular, their new location provides a considerably high number of undercover car parks and storage and meets QBuild's mobility needs so they can properly

service Brisbane, as well the Sunshine and Gold Coasts. The QBuild decision should not be considered to reflect on the attractiveness of Garden Square as office premises for government or private use. It was simply the case of a tenant with a revised special need.

We are now focused on finding an early replacement for QBuild to take occupancy on their departure.

Going Up...

As highlighted in a recent article in the 'The Courier Mail', "Mt Gravatt, one of Brisbane's older regional commercial office centres, is enjoying a resurgence".



WHILE there are no official statistics kept on the office market in Mt Gravatt, it clearly ranks alongside near city office suburbs like Milton, commanding rents between \$250 and \$300 a sq m gross. Prime office space is hard to find and often suburban professional practices find themselves paying near-retail rents to be located in two-level walk-up buildings on Logan Rd.

Mt Gravatt, one of Brisbane's older regional commercial office centres, is enjoying a resurgence. Bob Wilson reports

ing suburb and there is a new cycle of development happening, so the figure now could be much higher. Syndicate group Property Funds Australia made its first acquisition in Mt Gravatt, acquiring the Garden Square office park next to Garden City Shopping Centre. The 12,500sq m tower has been well

pretty well and the owner achieves gross rents of \$260 per sq m," he said. "QBuild is moving out in early 2003 so I will be keen to have that space converted before they move out." PFA managing director Chris Morton said rents in Garden Square were \$20 to \$40 less than the equivalent space in Coronation Drive at Milton and the car

"When we bought the building it had been underused for two and a half years. We refurbished it and it was fully let within three months." The building came with a large block of land in Sanders St. Mr Griffin and his partner Tish are now developing a four-level office building in Sanders St with 1800sq m floor plates. "Centralink is taking the ground floor and we have quite a bit of interest in the other floors. They are big floor plates and ideal for call centres, with secure parking within." Garden City Shopping Centre will com-

plete and has more than 220 retailers on 400 car parks. Developer Heritage Properties is one of the new players in Mt Gravatt and has been encouraged by the success of its \$4.3 million Mt Gravatt Business Centre. The Mt Gravatt Capalaba Rd and Fridesd development created eight acres of business premises totaling 1427sq m. All but two of the units have either been leased or sold, development manager Robert Deane said. Heritage acquired a corner block and moved four old houses to develop the centre. "There seems to be much more interest

Above: Mt Gravatt story as appeared in the Courier Mail, 6 September, 2002



Change of Accounting Policy

In accordance with international trends to improve financial reporting PFA has resolved to disclose in accordance with the principles outlined in Exposure Draft 103 Investment Property. The adoption of the Exposure Draft should enable readers of the financial

statements to get a better understanding and appreciation for the performance of the fund's property investments.

The adoption of this Exposure Draft means that depreciation will no longer be charged in the financial statements of this Fund. Investment properties in the

financial statements will be shown on a fair value basis based upon independent valuation or directors' valuation.

Previously, the value of investment property was shown on a historical cost basis with valuations referred to in the notes to the accounts.

Cedent Corporation acquires Trendwest Resorts

In June this year, Cedent Corporation announced its acquisition of Trendwest Resorts, Inc.

Cedent Corporation is primarily a provider of travel and residential real estate services. With approximately 70,000 employees, the New York City-based Cedent provides these services to business and consumers in over 100 countries.

Trendwest Resorts South Pacific Pty Ltd, a subsidiary of Trendwest Resorts, Inc. currently occupies 880m² at Garden Square. Their lease runs until June 2005. The takeover by Cedent Corporation is not expected to affect Trendwest's current leasing arrangements.

CAR PARKING UPDATE



In your September, 2001 Investor Update we advised of the successful introduction of the car parking reconfiguration and introduction of boom gates.

A year on, we are pleased to advise that the car parking changes continue to be well received. The number of bays available to occupants has significantly

increased indicating the extent of previous unauthorised usage by persons unrelated to Garden Square. Most pleasing from an owner's perspective is that the changes have resulted in increased property income of \$38,000 for this past financial year.

GARDEN SQUARE TIMEFRAME

Occasionally, we are asked by investors "When is the property likely to be sold?"

Whilst we cannot answer with certainty at this point in time, we can assist by providing some timeframes as stated in the Garden Square Prospectus.

There are several considerations to the timing for the sale of the property

including the commercial property cycle and the tenancy profile of the building. Any sale which does not take these factors into consideration may not maximise investor returns.

As mentioned in the prospectus, the restructuring of the Coles Myer tenancy and in particular, the opportunity to enter into arrangements directly with their sub-tenants beyond the Coles

Myer lease term, will be significant triggers to a sale scenario. We have had provisional discussions with Coles Myer in this regard. However, no firm proposal has yet evolved to enable a sale scenario to eventuate.

As previously reported, the impending QBuild and Coles Myer tenancy (2 December, 2004) expiries are a major focus for PFA.

Syndicate Commencement Date

– March 1998

Anticipated Holding Period

– 5 Years (approx.)

Maximum Term

– The property cannot be held later than March 2006 except in certain limited circumstances.



Distribution remains at 10.5% p.a.

Given the impending expiry of the QBuild lease (which was not anticipated previously given the quality of their fitout and reasonably short term of occupancy to date i.e. 5 years), the Board of PFA has determined that it would be prudent not to increase distributions and to maintain them at last year's distribution rate of 10.5% p.a. This distribution level however is expected to maintain a significant tax sheltered portion.

Forthcoming Issues

The acquisition loan with Citibank Limited expires towards the end of March, 2003. Refinance negotiations with Citibank and other financiers will have to occur by that date. Based upon current interest rates, it would be reasonable to assume that any ongoing facility would have an interest rate substantially similar to that which was the case during the current Citibank loan term.

In arriving at our distribution recommendations and current year budget analysis, we have allowed approximately \$120,000 for capital expenditure works on the property during the 2002/03 year. These works potentially relate to diesel generators, air conditioning, electrical switchboards and some water-proofing.

Queensland Government Increases Land Tax

Contrary to the previous commitment by the Queensland Government to reduce land tax, the Queensland Government in its last annual budget resolved to abolish the land tax rebate which was (for corporations and trusts) 15% of the assessable land tax.

In Queensland, land tax is not recoverable from tenants. As a consequence, the State Government's decision goes directly to the bottom line of property owners like the Garden Square Joint Investment.

The Property Council of Australia, the property industry's

peak body, has strongly expressed the industry's concerns at this significant "about face" by the Queensland Government. This is, particularly so, at a time when the State Government has the benefit of GST revenues enabling it to work towards reducing imposts such as land tax and stamp duty. The Queensland Government had previously undertaken to abolish land tax completely by 2006.

TRUST COMPANY MERGER

As you may be aware, there has been a recent announcement of a proposed merger between the publicly listed companies Trust Company of Australia Limited ("TCA") and Permanent Trustee Company Limited.

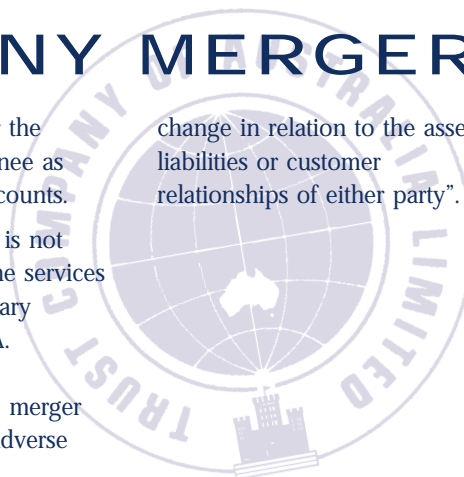
TCA as the appointed Trustee for The Garden Square Joint Investment amongst other things

holds the property for the Owners as their nominee as well as Fund bank accounts.

The proposed merger is not anticipated to affect the services provided or the fiduciary responsibilities of TCA.

Conditions of the implementation of the merger include "no material adverse

change in relation to the assets, liabilities or customer relationships of either party".



'In-House' Registry Services

From 1 July, 2002 PFA's Investment Services Division commenced providing all registry services for investors in The Garden Square Joint Investment.

These services include the payment of your monthly distributions (by electronic funds transfer), maintenance of your personal and investment details and investor reporting. PFA previously outsourced the registry function to BDO Kendalls.

The decision to bring the registry services 'in-house' was made so as to ensure a more efficient streamlined investor service with all your records, reporting and electronic distributions now under one roof. Whilst PFA will be charging the Joint Investment for the provision of the registry service, it is at an amount less than that charged by the previous external registry provider.

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.

Want to know more about us?

Why not visit us on our website

www.pfaltd.com.au

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 in order that the electronic credit distribution system does not reject the transfer. Likewise, if you are changing your mailing address (as shown on the Syndicate or Trust Registers) we need to be notified.

Any changes need to be notified to us in writing and signed by the applicant/s who signed the original application form.

TAX RETURN TIME

You should have now received the 2002 Distribution Statement that you need to be able 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.

For further information contact:



www.pfaltd.com.au

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