

(METROPOLITAN SYNDICATE AND TRUST LIST ON THE BSX CONTINUED)

#### Distributions

Your distributions will continue to be paid on a monthly basis by electronic funds transfer. Your distributions will not be affected by the listing on the BSX. As has previously occurred, we will continue to monitor distributions levels throughout each financial year.

#### Investment Term

The listing of the Metropolitan Collection Syndicate and Trust on the BSX does not change the original term of your investment. You can still hold your investment until the properties are sold. As stated in the original prospectus, the properties may not be held later than April 2007 except in certain limited circumstances. The listing of the Fund on the BSX is an additional service provided to existing and potential investors as an alternative way to exit their investment rather than waiting until the properties are sold and the Fund terminated.

#### Trading Volume Forecasts

It is important all investors be aware that we do not initially anticipate that there will be a significant amount of trading of your Metropolitan Collection lots or units. You therefore should not be perturbed by seeing little activity on the BSX trading screen. PFA does not believe that there will be significant liquidity or transaction volume created by merely listing the lots/units of the Fund on the BSX. Liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets.

#### Further Information

Should you require any further information please visit the Bendigo Stock Exchange website [www.bsx.com.au](http://www.bsx.com.au), contact your financial advisor or stockbroker or Property Funds Australia Limited.

### FOR FURTHER INFORMATION CONTACT:

#### Bronwyn Risk

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### PFA INTERNAL NEWS

#### DIRECTOR RETIRES

It is with regret that we advise of the retirement in April of one of our founding directors, Mr Archie Douglas.

Mr Douglas has been gradually scaling back his regular business commitments in a number of areas over the last few years. Furthermore, Mr Douglas originally represented PRD Realty who for some time now have not had any financial interest in PFA.

The contribution made by Mr Douglas to PFA in its formative years has been immensely valuable. His vision and guidance has helped shape PFA into a well regarded property funds management company. We thank him for his significant contribution to the organisation. An announcement is expected later this year as to a replacement director for Mr Douglas.

#### WE'RE ON THE MOVE

As advised PFA are relocating to new premises at Level 3, Anzac Square, 200 Adelaide Street, Brisbane. This move will be effective from Monday, 12 May, 2003. Please note that all of our other contact details (including telephone numbers) will remain unchanged.

### 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.

#### WANT TO KNOW MORE ABOUT US?

Why not visit us on our website [www.pfaltd.com.au](http://www.pfaltd.com.au).

If you have any queries about your investment, please contact our Manager - Investment Services, Bronwyn Risk or Mary Gallegos.

# THE METROPOLITAN

AN INVESTOR UPDATE



ISSUE No.8

### MACGREGOR UPDATE



Artist's impression of a potential new building on the rear storage yard area at the MacGregor property.

#### FURTHER LEASE FOR BUILDING 1

We are pleased to advise that a new lease in Building 1 has now been executed. The new tenant, Auto Xtreme, is currently in the process of fitting out their tenancy. The lease for the 231m<sup>2</sup> is for 4 years. Further details on the tenant will be provided in your next Investor Update.

#### HUDSONS AREA UPDATE

##### Building Lease

The Hudsons Timber and Hardware lease of the building at the rear of the site expires on 31 March 2004. Towards the end of 2002, Hudsons ceased trading from this building. They however continue to pay their rent in accordance with the terms of their lease. After considerable discussions it has been resolved with them that they would not be forced into trading from the tenancy, providing that compensation is paid by them, over and above their ongoing rental obligation which has been occurring. The relevant settlement agreement is awaiting execution by Hudsons. We are currently seeking to find a new tenant for this building with current interest from an appropriate southern based tenant.



Clive Peters store, opposite the MacGregor property.



#### Storage Yard

In your last Investor Update, we advised that Hudsons Timber and Hardware no longer required the storage yard at the rear of the site that also includes two large but dilapidated hangar style sheds. As previously stated the opportunity now exists for us to consider future options for this undeveloped part of the MacGregor property.

One such option currently being explored is the construction of a new building on this now unused portion of the property. We are therefore currently contemplating lodging a further development application. The usage, configuration and size is of a different nature to that contemplated by the current development approval. We have had discussions with prospective tenants in respect of leasing a future building. Whilst there has been preliminary interest, no firm commitments have been secured to date.

We will only contemplate giving effect to any further development should it be in the interests of the

Fund's investors and able to be done with minimal risk. The potential to build further on the land is a positive market value feature whether or not any further development is undertaken during the life of this Investment.

#### Furniture Direct Lease Assignment

From 1 February, 2003, Furniture Direct assigned the balance of their 10 year lease of 1,552m<sup>2</sup> of the old Chandler's building to The Hi-Fi Company Pty Ltd trading as Encel Stereo.

The Hi-Fi Company Pty Ltd trading as Encel Stereo (previously Stereo Supplies) has been established in Queensland since 1969 as a specialist retailer of home entertainment and equipment. In 1982 The Hi-Fi Company was taken over by Mr Alex Encel and since that time has traded successfully as part of the International Dynamics group of companies. Mr Encel commenced business as a retailer in 1958 and established one of the first specialist Hi-Fi stores in Australia. International Dynamics is one of Australia's largest specialised audio/video importers.

ANZAC SQUARE UPDATE

MACGILLIVRAYS' EXPANSION

As you will be aware, MacGillivrays Solicitors currently lease Level 2 and 545m<sup>2</sup> of Level 3 of this property. MacGillivrays have now agreed to take a further lease for the balance of level 3 (577m<sup>2</sup>) through to March 2007 and extend their existing leases through to then. As part of the lease incentive package for this area, the Fund had to underwrite a sub-tenant for this new leased space for them until March 2005. MacGillivrays, are to sub-let this space. As a medium size legal firm, MacGillivrays has grown from a staff of approximately 70 to 130 in the past 4 to 5 years. The additional space will allow for the future growth of the firm.

Importantly for the Fund, this additional lease by MacGillivrays means that the property is now 100% let and having given MacGillivrays growth space, has increased the chance of them staying on at the end of their current lease.

PFA TO BECOME MACGILLIVRAYS' SUB-TENANT

Since reaching the initial understanding with MacGillivrays to underwrite their new lease (i.e. back in September, 2002), PFA has been endeavouring to sub-lease these premises for the relatively short term without success. Consequently, PFA as a demonstration of support to our investors, has agreed to sub-lease some 360m<sup>2</sup> (approx.) of this space at a rental of 5% above what the tenant (i.e. MacGillivrays) is paying for the space. PFA's rent for the space whilst paid to MacGillivrays is essentially reducing the Fund's exposure under the rent underwriting arrangement that the Fund has given to them. We continue to pursue a sub-tenant for the balance of this MacGillivray's space.

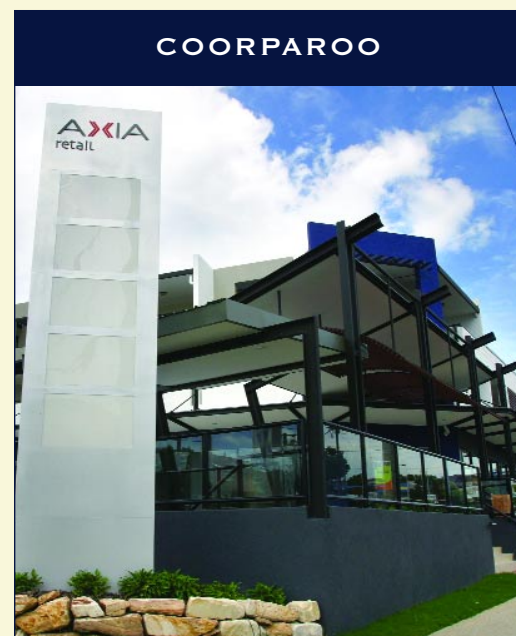
THE STATE OF PLAY

Whilst most of this update can be considered good news for investors, this does not mean that this Fund is not without its issues in the forthcoming year or two. We believe that you should be aware that there may be some reduction in distributions in the next financial year. Any reduction may continue until such time as greater clarity on the re-lease of the Hudsons' space and some of the other issues mentioned below occur. We will endeavour to advise you of the extent of any reduction as soon as a firm view is reached.

EXAMPLES OF THE ISSUES FACED BY THE FUND INCLUDE:-

- The necessity to find a replacement tenant for the Hudsons' building at the MacGregor property by the end of their lease term in March, 2004. This tenant's departure was not anticipated by us given the trading history (particularly by Bretts Timber & Hardware) from the building. Consequently, vacancy periods, refurbishment and lease-up costs must now be brought into consideration.
- Whilst the lease profile of the Chandlers building at MacGregor now has good 10 year leases in place, they have come with refurbishment and lease-up costs.
- Whilst prudent development opportunities for the Hudsons storage yard area can increase investment value, it comes with consequent consultant costs and other associated outlays.
- There still remain one or two small vacancies in the MacGregor and Coorparoo properties which are proving difficult to lease.
- Borrowing costs have grown and may grow further with the additional pursuit of capital growth in our endeavour to maximise the total return for investors.
- The sub-leasing of the half floor recently leased to MacGillivrays in the Anzac Square property has taken longer than expected due to the recent softening in leasing demand in the Brisbane CBD.
- Unanticipated growth in uncontrollable operating expenses (e.g. insurance and land tax) has occurred in all properties.

You can be assured that we are doing all we can to maximise your return through active management. We have been investigating possible solutions which may benefit investors over the long term. These strategies may be presented to you in the near future should PFA's board consider them to be acceptable.



The new retail component of the Axia apartment complex, one block from The Precinct.

NAB LEASE RENTAL INCREASE

In accordance with the terms of their 10 year lease, the rent being charged to National Australia Bank will be increased by 5% from 30 April, 2003.

DEBT FACILITY UPDATE

As reported in your 2002 Annual Report, the Fund's overdraft facility was used to fund the MacGregor "old Chandlers" building refurbishment and tenancy related works primarily associated with the JB Hi-Fi, Furniture Direct (now Encel Stereo) and MacGillivrays tenancies.

This resulted in an outstanding overdraft balance of approximately \$1.0m as at 30 June, 2002. This balance has now been converted across to the long term debt facility, secured against all three properties. This advance reduced the overdraft facility, which is a more expensive source of debt funding.

METROPOLITAN COLLECTION SYNDICATE AND TRUST LIST ON THE BENDIGO STOCK EXCHANGE

In previous Investor Updates we have reported on the establishment of the Australian Property Exchange (APX). It had been hoped that the APX would be operational quite some time ago. Unfortunately, this has not been the case. We also previously stated that failing the commencement of the APX, we would investigate trading opportunities on a Australian Exempt Property Market. Following our investigation of alternative markets we have made a decision to list the Metropolitan Collection Syndicate and Trust on the Bendigo Stock Exchange.

About the Bendigo Stock Exchange

BSX is a fully licensed Stock Exchange and began trading in 2001. The Bendigo Stock Exchange's origins date back to Victoria's gold era. Today, the BSX is an initiative that provides a structure for the establishment of niche trading platforms for markets such as property related managed investment schemes. To this end in February, 2003 the BSX announced the establishment of a specialist property market within its exchange.

BSX is not aligned to any single industry interests group and its structure encourages open participation by traditional financial services distribution channels. Its major shareholders and strategic supporters are Bendigo Bank and Computershare.

BSX can be contacted through its web site [www.bsx.com.au](http://www.bsx.com.au).

The Benefits of Listing

Property Funds Australia believes the key benefits of listing on the BSX include:-

- **An Alternative Exit:** The BSX listing will provide existing investors with an alternative exit mechanism rather than have to hold your investment until the properties are sold and the Fund terminated.
- **Some Liquidity:** Greater ability to transfer and exchange your investment. However, PFA does not believe that there will be significant liquidity or transaction volume created by merely listing the lots/units of the Funds on the BSX. Liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets.
- **Enhanced Market Information and Disclosure:** This increases and is more regularly communicated to the exchange than was previously the case. This should result in growth in the confidence and

ability of retail and professional investors to participate in this sector of the property industry.

- **Valuation:** BSX listing provides investors with the ability to obtain an indicative valuation of their investment by reference to the most recent trading data. Care should however be taken as the trading price may not represent the net tangible assets or net realisable value of the Fund.
- **No Transfer Stamp Duty:** The transfer of lots/units on a recognised stock exchange like the BSX incurs no stamp duty whilst if not listed stamp duty would be incurred.

How can you Buy or Sell on the market?

To place an order to buy or sell, PFA recommends you speak directly to your Financial Advisor regarding your investment. You or your advisor will then need to instruct an accredited BSX Broker to place an order. Each order will incur brokerage fees charged by the broker, but will not incur stamp duty.

How will the lots/units be priced?

The BSX markets, including the Property Board within it, openly reflect current bids and offers together with details of recently completed transactions. The market will ultimately determine market prices based on a range of factors such as supply and demand of buyers and sellers at any given time. Logically, the trading price should reflect investors anticipated valuation of assets and future income or yield from the investment.

Where can I find BSX price information?

Initially, PFA Funds may not be listed in the market pages of publications such as the Australian Financial Review. However, at all times, you will be able to ascertain market prices for bid and offer by logging onto [www.bsx.com.au](http://www.bsx.com.au) where trading information is available. By becoming a BSX member (which is currently free) you will gain complete access to the full suite of BSX trading market services and receive the BSX monthly e-newsletter.



CONTINUED OVERLEAF



THE METROPOLITAN