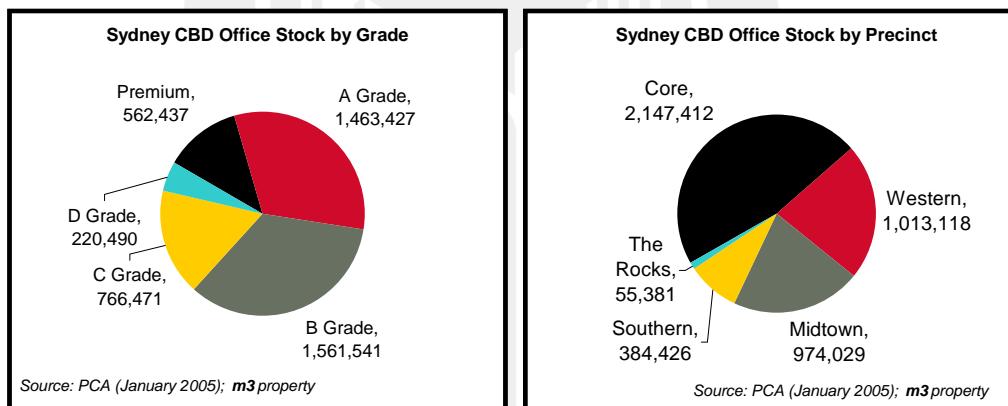


The key features of the Sydney CBD office market include:

- The market is in the mid stages of a construction cycle;
- Tenant demand over the past two years has been weak, but showed signs of improvement in 2004;
- This improvement in demand will assist a recovery in the vacancy rate and effective rents.

Major project completions in 2004 included Civic Tower at 66-68 Goulburn Street (22,540 square metres), the Lend Lease headquarters at 30-34 Hickson Road (18,700 square metres) and Latitude at World Square, 688 George Street (67,887 square metres). A number of major refurbishments have also been completed, including 233 Castlereagh Street (18,796 square metres). In addition, KPMG Tower at 10 Shelley Street (28,132 square metres) was completed in 2003.

According to the PCA, as at January 2005 there was 4,580,139 square metres of office space in the Sydney CBD. 44% of this stock is classified as prime stock (that is, premium or A grade). 47% of stock is located in the City Core¹. The following pie charts illustrate the building grade and location of total office stock in the Sydney CBD as reported in the PCA January 2004 Office Market Report.



In addition to the abovementioned, committed new supply and refurbishments for the remainder of the current construction cycle will result in at least a further 190,242 square metres by the end of 2006. As the following table shows, 85% of space within new developments has secured tenant commitment. In addition Multiplex's Latitude at World Square development currently has a commitment level of 74%, including current tenants Ernst & Young (36,500 square metres) and AAPT (9,500 square metres) and future tenant Austereo (4,158 square metres). It is understood that negotiations are well advanced with a number of other potential tenants to fill the remaining available space.

In addition to those in the table, our forecast model allows for additional construction which is considered likely to commence but it is not yet confirmed (such as projects at the development application stage). Additional supply of significant buildings is most likely to have a major tenant commitment prior to construction. Developers may gain more confidence in the future due to increased rental levels, lower vacancy rates and improved infrastructure such as the Cross City Tunnel and the proposed expansion of the Light Rail loop. In total, we expect an additional 115,000 square metres of new office space to enter the market between 2007 and 2009, which amounts to less than half of the office developments currently mooted as possible additions to stock.

¹ City Core defined to include office space within the area bound by the Cahill Expressway to the north, Macquarie Street to the east, King Street to the south and York Street/Cumberland Street to the west.

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m3 Dimensions

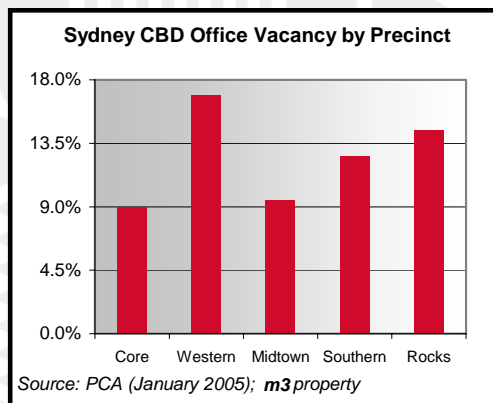
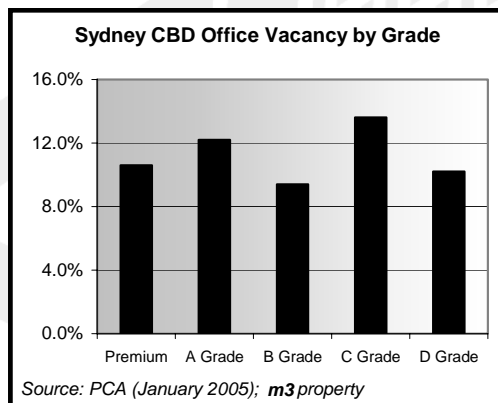
Sydney CBD Office Market Overview

Continued

Project	Developer	2005	2006	Total	Committed	%	Tenant
New Construction							
126 Phillip Street (Deutsche Tower)	Investa Property Group	42,315			34,588	80%	Deutsche Bank (12,960 sq.m), Ebsworth & Ebsworth (4,320 sq.m), Bain International (1,436 sq.m), Investa (2,872 sq.m), Allens Arthur Robinson (13,000 sq.m)
Westpac Headquarters (Kens Site) - Sussex/Eskine/Kent/Napoleon Streets	Westpac Funds Management		76,700		74,420	97%	Westpac
Darling Park Stage 3 - 201 Sussex Street	General Property Trust		29,000		17,400	60%	MMC (Marsh & McLennan - Mercer)
Total New Construction		42,315	105,700	148,015	126,408	85%	
Refurbishments							
255-269 Pitt Street	Hilton Hotels	15,400					
169 Macquarie Street	ISPT	9,948					
121 Macquarie Street	NSW State Government	5,579					
545 George Street	Meriton	4,500					
151 Macquarie Street	Lambardi Pty Ltd	3,700					
248-250 Pitt Street	Ashington Group	3,100					
Total Refurbishments		42,227	0	42,227			
Grand Totals		84,542	105,700	190,242			

The strong level of tenant commitment bodes well for new developments, however it will leave significant amounts of back-fill space throughout the CBD, particularly in buildings to be vacated by Westpac. The Sydney CBD has been through a period of sluggish demand for office space recently however evidence suggests that leasing activity has picked up over the second half of 2004, as reflected by the number and size of leasing transactions, and is forecast to be at stronger levels over the next four years. Net absorption over the six months to 1 January 2005 totalled 37,559 square metres, the first period of positive office space take up since 2001.

Still, weak demand and new construction has impacted on the Sydney CBD vacancy rate which, at 11.2%, is now at its highest level in nine years, having risen from 4.5% in mid 2000. The current vacancy rate by building grade and location is shown in the following charts.

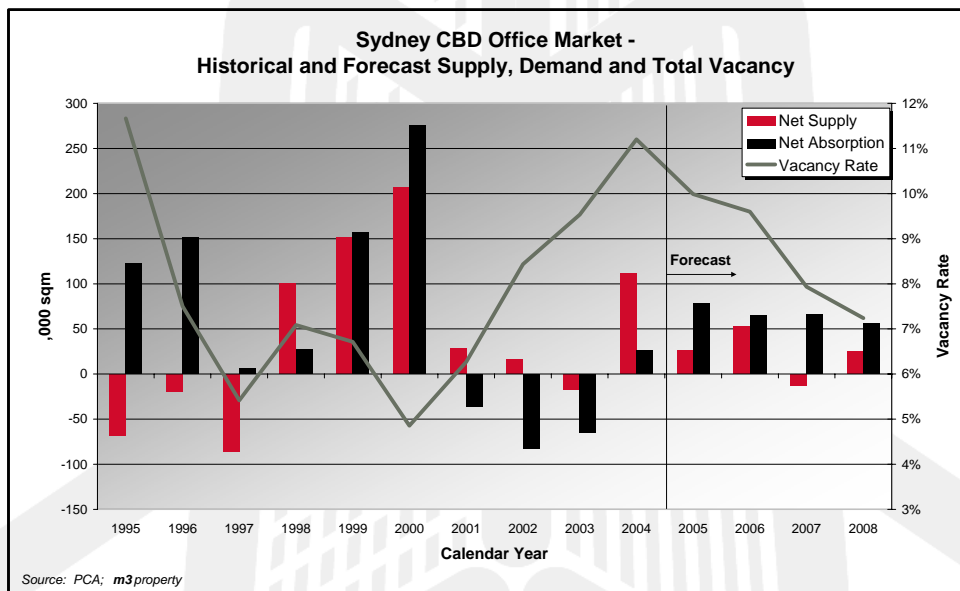


Since July 2001 demand for office space in the Sydney CBD has been negatively impacted by similar factors which have resulted in negative net absorption in the Melbourne CBD. In the case of Sydney, however, the turnaround was possibly more pronounced due to the period of buoyancy and increased confidence created by the 2000 Olympic Games and the positive impact of the pre-GST accounting boom, reflected in strong rental demand in 2000. To put this in context, net absorption over the three years to July 2004 totalled negative 235,267 square metres, whereas in the three years prior to this period it totalled positive 493,228 square metres.

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White collar employment, the key external driver of demand for office space, is forecast to be strong, particularly within the Property and Business Services and Finance and Insurance sectors. This, coupled with recent strong levels of growth in corporate profits and a slowing in the reduction of workspace ratios, suggest a stronger level of office space demand in 2005. Indeed, the favourable conditions will be further assisted by significant levels of pent up demand for space, as tenants make decisions they postponed over recent years.

Despite these strong fundamentals, there are risks moving forward. Australia's economy has shown some signs of slowing and the high value of the Australian dollar could place some pressure on export-oriented industries if sustained. World growth may also come under pressure if China mishandles its engineered 'soft landing' or if the recovery in the US economy falters. As Sydney is the corporate capital of Australia, the market will be exposed if the world economy does slow given the correlation of this market with movements in the world economic activity. The model assumes net absorption will average 64,484 square metres per annum over the next five years; the average over the past ten years has been 58,231 square metres.

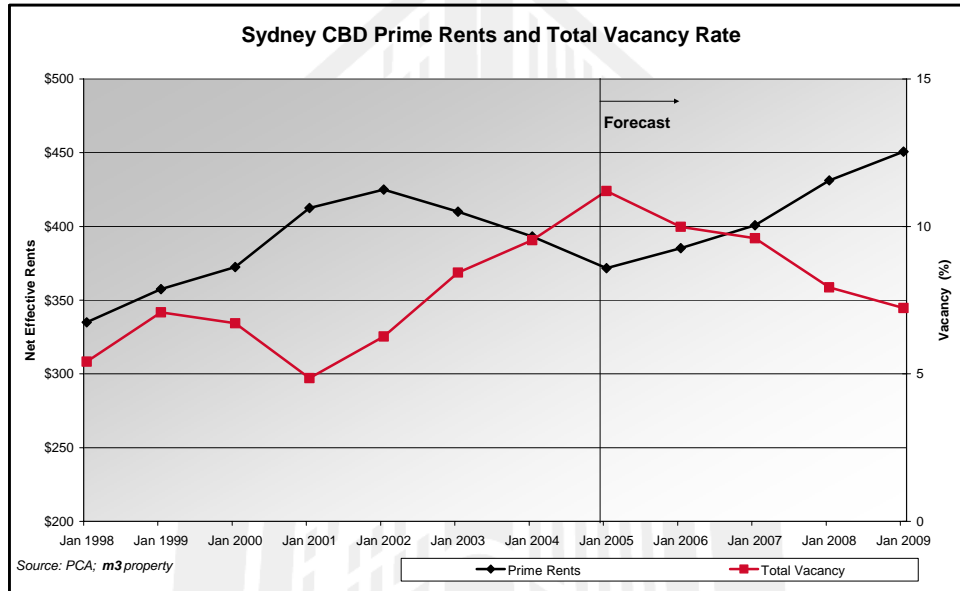


Combining our supply and demand projections, we see total vacancies decreasing slightly from its current level of 11.2% to 10.0% by the end of 2005. The total vacancy level is expected to trend further downwards over the two years following, to 7.9% by the end of 2007 and further to 7.2% by the end of 2008.

A key feature of the Sydney CBD office rental market recently has been the large increase in incentives, which have doubled over the past two years, resulting in a current indicative incentive level of around 25% in the prime market (and, in some cases, higher). As net face rents have been flat, the increased incentives offered have resulted in net effective rents falling by 12.0% over the past three years, currently estimated to be between \$360 and \$410 per square metre. The next chart shows the historical and forecast relationship between indicative prime net effective rents and total vacancies.

We believe that rental growth over the first half of 2005 will be limited. However, as commitment levels in new developments increase and tenant options become constrained, a gradual reduction of incentive levels is expected to translate into moderate growth by 2006. Based on our assumptions relating to new supply beyond 2006, net effective rents are likely to record stronger increases in 2007 and 2008. Overall, we expect net effective rents in the prime office market to grow at an average annual rate of 4.5% over the next five years.

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Considering investment demand, major office transactions in 2004 included **400 George Street** (\$98,200,000, 25%, sold by Investa Property Group and purchased by Prudential Australia Property Trust in September), the **Exchange Centre** at 10-20 Bond Street (\$136,200,000, 50%, ING Office Fund, James Fielding Meridian Trust, May) and **35 Clarence Street** (\$113,000,000, Leda Holdings, Deka Immobilien, April). Interfund transfers in 2004 included the **Darling Park Stage 3** development site (\$225,000,000, Lend Lease, GPT, April) and **Angell Place** at 123 Pitt Street (\$357,000,000, AMP Ltd, AMP Wholesale Office Fund, May).

While it is still too early to assess the impact of the NSW State Government's 2.25% Vendor Stamp Duty (payable by vendors who sell investment property for a profit of more than 12%), it is clear that a large number of CBD office sales took place immediately prior to its introduction in June 2004 as vendors sought to avoid the levy. There is some hope that the NSW Government may abolish this tax as it has had the unintended consequence of reducing the number of transactions and, therefore, the collection of stamp duty following a purchase.

Currently, average face yields are generally around 6.50%-7.25% for prime stock. Analysed market yields and analysed IRRs also remain firm. Sydney CBD yields are the lowest for office property in Australia and notwithstanding the historical and short term outlook for the market, investment demand remains strong.

Yields have remained low in part due to their being little investment grade stock available for purchase as these properties are tightly held. This feature of the market has increased the desirability of purchasing lower grade stock, or stock with significant vacancies, possibly as opportunities for refurbishment or redevelopment. Moving forward, it is anticipated that yields will at least remain firm and in the current environment of high liquidity and few investment grade opportunities it is possible that future sales may reflect a further compression of yields.

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