

**Property
Syndicates**



**11th PRRES Conference
January 2005**

**Bill Grounds
General Manager Unlisted Funds**

Syndicate Characteristics

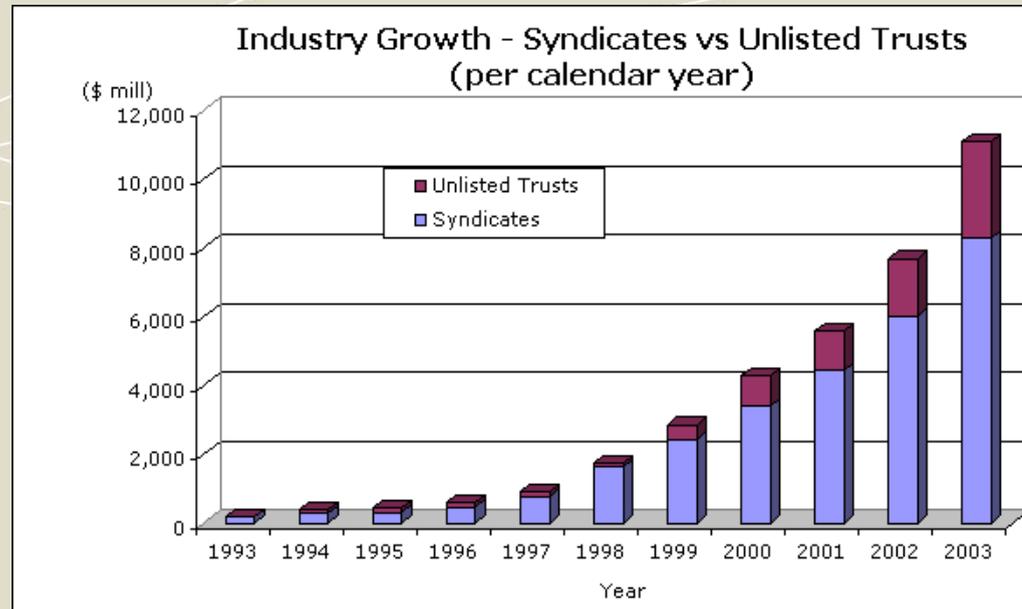
- **Unlisted trust structure**
- **Offered to retail investors**
- **Illiquid**
- **Closed end – 6yrs to 12 yrs with option to extend**
- **Invest in primary commercial property sectors.**
- **Product Disclosure Statement**
- **Geared**
- **High yielding, tax effective income**
- **Quarterly income distributions**
- **High entry costs**

Trends from June 1998 to December 2003

	Long Term Average (June 1998 - December 2003)	Current Average (January to December 2003)	% Difference
Average Initial Gearing Ratio (% of total assets)	53.6%	54.5%	1.7%
Average Property Purchase Price as a % of Total Capital (Replaces NTA/unit)*	88%^	88%^	0.3%
Average First Year Forecast Yield	9.31%	8.71%	-6.4%
Average Tax Advantaged Income (Years 1-3)	79%	94%	19.5%
Average Anticipated Syndicate Term	6.8 years	6.6	-2.9%
Average Upfront Management Fee (% of Total Assets)	4.75%	4.38%	-7.8%
Average On-going Management Fee (% of Total Assets)	0.60%	0.56%	-6.7%
Average Fixed Interest Rate Term	4.7 years	4.5	-4.3%
Average Fixed Interest Rate	6.95%	6.34%	-8.8%

Syndicate Growth Drivers - Investors

- True property investment
- Changes to LPT risk profile
- Exposure to institutional grade property and management
- Diversification from residential
- Stable high income
- Inflation hedge
- Tax effective
- Growing equity culture
- DIY Super
- Retirement policies
- Low interest rates



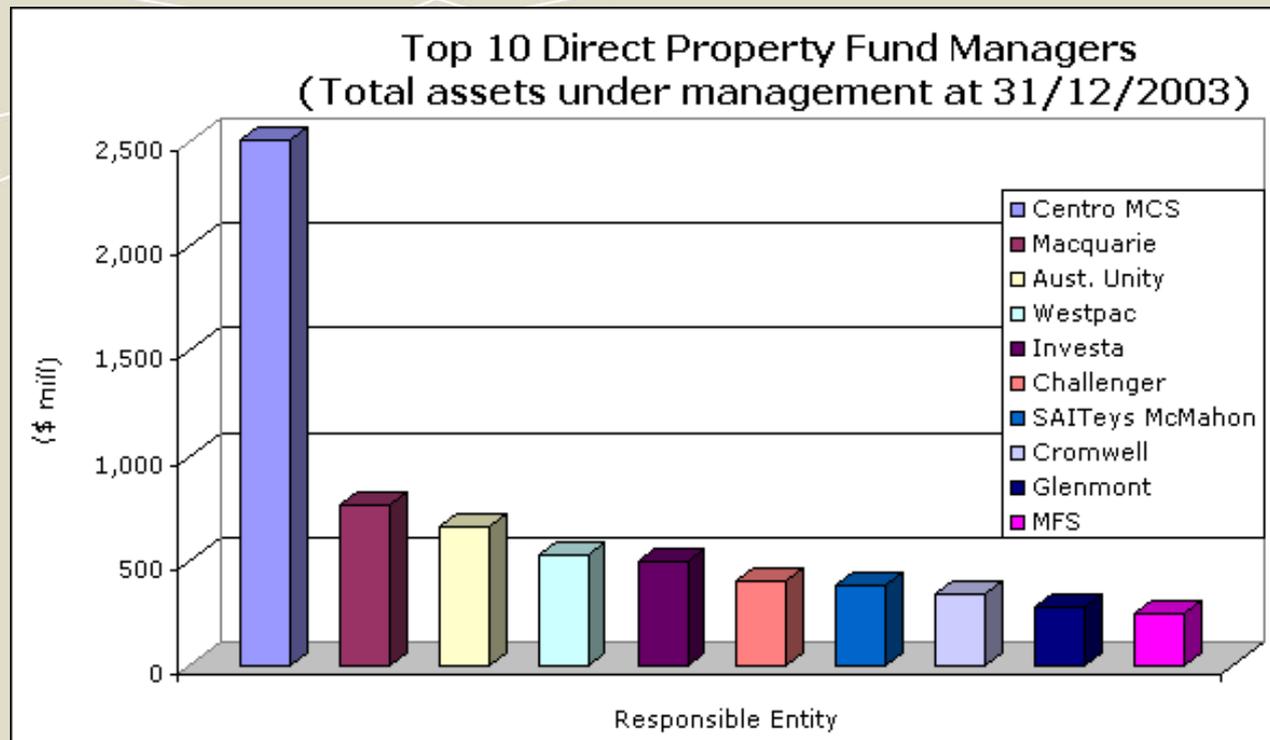
Source:PIR

Syndicate Growth Drivers - Managers

- **First mover advantage**
- **Stepping stone to scale and listing**
- **Fund Management fees**
- **Tap growth in retail investment**
- **Consumer brand development**
- **Availability of product**
- **Warehousing of assets**
- **Balance sheet management**

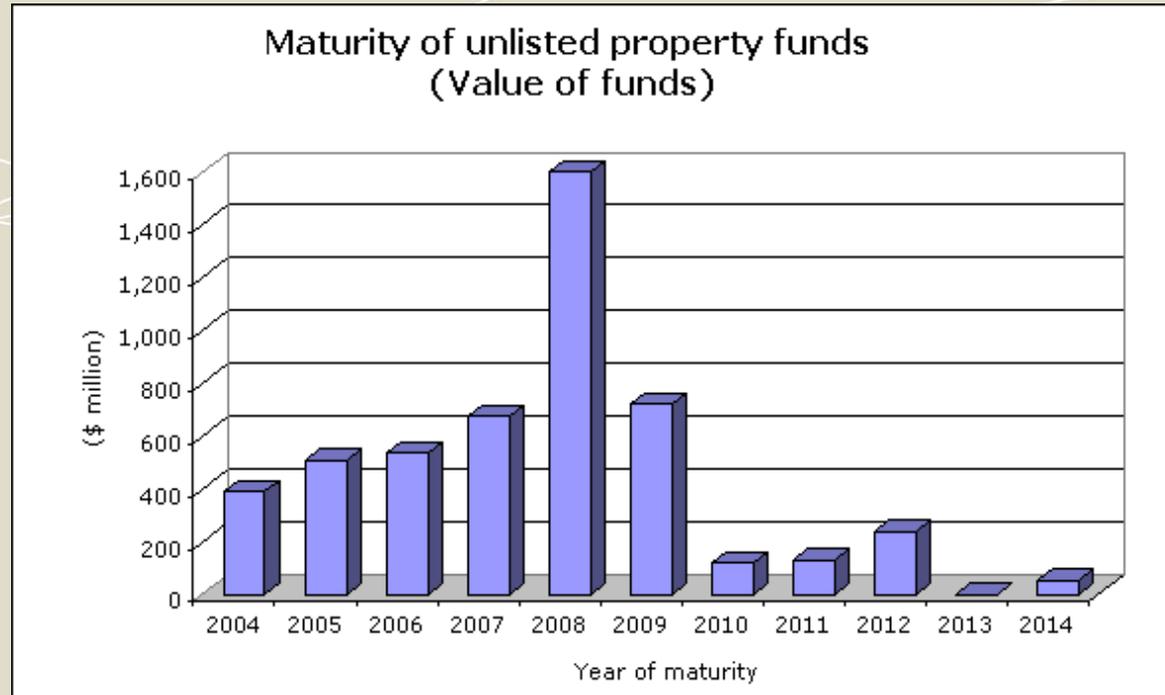
Major Industry Players

- **Dominated by small independent groups**
- **Listed managers have moved into the market**
- **Consolidation will continue**



Syndicate Challenges

- **Competition for product**
- **Access to balance sheet**
- **Increasing Governance**
- **Interest rates**
- **Distribution platforms**
- **Desire for liquidity**
- **NTA hurdles**
- **Financial planners**
- **Maturation of the sector**



Syndicate Evolution

- | | | |
|--------------------------------|--------|-------------------------|
| • Closed end | =====→ | Open ended |
| • Illiquid funds | =====→ | Liquidity circa 20% |
| • High upfront fees | =====→ | Performance fees |
| • Low risk/passive | =====→ | Growth |
| • Traditional assets | =====→ | Alternative/exotic |
| • Direct property | =====→ | Direct/Indirect/FOF |
| • Sector specific/single asset | =====→ | Diversified offering |
| • Small funds | =====→ | Large funds |
| • Sale of assets at fund close | =====→ | Bundling/listing |
| • Boutique managers | =====→ | Insto Managers/Consol |
| • Planner direct distribution | =====→ | Wraps and Master trusts |



INVESTA
Property Group