

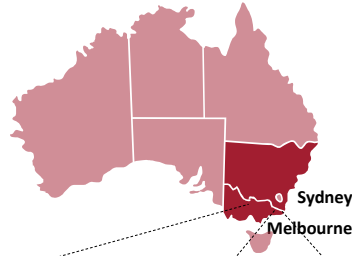
Grocon Portfolio Sale and Strategic Alliance with Colonial

Case Study

- Asset realisation transaction
 - A\$615m strategic off-market sale of 3 office towers in Melbourne
 - Formation of strategic alliance with Colonial to leverage the complementary skill sets of each of the groups
 - Grocon to become a strategic investor (~2.6%) in CPA, ensuring alignment of interests

Transaction Overview

- Portfolio sale and creation of strategic alliance between Grocon and Colonial First State Property Limited (CFSPL), Manager of Commonwealth Property Office Fund (CPA)
 - Entire transaction negotiated off-market
- Acquisition of by CPA of
 - 100% of Media House at 655 Collins St Melbourne
 - 50% of QV in Lonsdale St Melbourne, and
 - AXA Headquarters in Docklands Melbourne
- Acquisition price of A\$581.4 million (net of costs)
 - AXA Headquarters sale subject to approval by unit holders in Grocon Property Trust Australia (GPTA).
- The portfolio reflected a 7.6% acquisition weighted cap rate and a 3.3% discount to independent valuation
- As part of the Alliance Grocon to receive a portion of CFSPL base management fees derived from the Melbourne portfolio acquired by CPA



Benefits to Grocon

- Portfolio sale at attractive pricing
- Ability to recycle capital into the higher returning development opportunities
- Share of CPA base management fees and exclusive opportunity to build 5 Martin Place, Sydney
- Provides Grocon with a strong position to leverage its construction and development capabilities by using the funds management expertise of CFSPL

Strategic Alliance

- As part of the transaction CFSPL and Grocon established an office sector alliance to leverage the complementary skills of each group
- Alliance provides a framework for both groups to work collaboratively on new Australian office investment and redevelopment opportunities
- Under the alliance, Grocon may have the opportunity to tender for development projects associated with the CPA portfolio of assets. In addition, Grocon will have exclusive negotiation rights to develop CPA's iconic "Money-Box" building at 5 Martin Place in Sydney's CBD, a heritage building dating from 1916
- "An alliance with CFSPL, Manager of Australia's pre-eminent office Real Estate Investment Trust, provides significant benefits to Grocon, allowing us to strategically expand our funds management footprint,". Daniel Grollo – CEO Grocon
- "It will also allow us to access a new capital partner to assist with funding existing and future development projects. Daniel Grollo – CEO Grocon
- Colonial First State Global Asset Management (CFSGAM) Managing Director, Property, Darren Steinberg, said the acquisition and new strategic relationship with Grocon were consistent with the Fund's long term strategy of investing in high quality CBD office assets."

Teloopa Role

- Teloopa acted as exclusive financial advisor to Grocon
- Teloopa structured and project managed the transaction
- The transaction is the result of 12 months of work with the client
- Extremely complex transaction executed in a two stage process involving an initial settlement of QV and Media House and a stage 2 settlement of AXA Headquarters following a unitholder meeting
- Entire transaction negotiated off market with no leaks
- Teloopa worked collaboratively with CPA and its underwriters

Key Portfolio Metrics	
Number of Assets	3
Value (A\$m)	615 (Incl Acq. costs)
Net Lettable Area	165,132
Number of tenants	131
Occupancy (%)	99.7
WALE	8.4 years
Wgt'd Avg Cap Rate (%)	7.4
Portfolio classified as A Grade	100.0

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Australian Financial Review - 11 November 2010

Portfolio sale and alliance

- Off market portfolio transaction
- Transaction structure to provide Grocon with trailing base management fees on assets and exclusive opportunity to build 5 Martin Place, Sydney
- Office sector alliance formed between the two groups

Press

CPA investors not happy with Grocon discount

Private construction group Grocon, advised by Telopea Capital Partners, looks to have pulled off a coup by setting up a strategic alliance with Colonial First State Global Asset Management and selling \$600 million of office assets to that group's listed office fund, Commonwealth Property Office Fund (CPA).

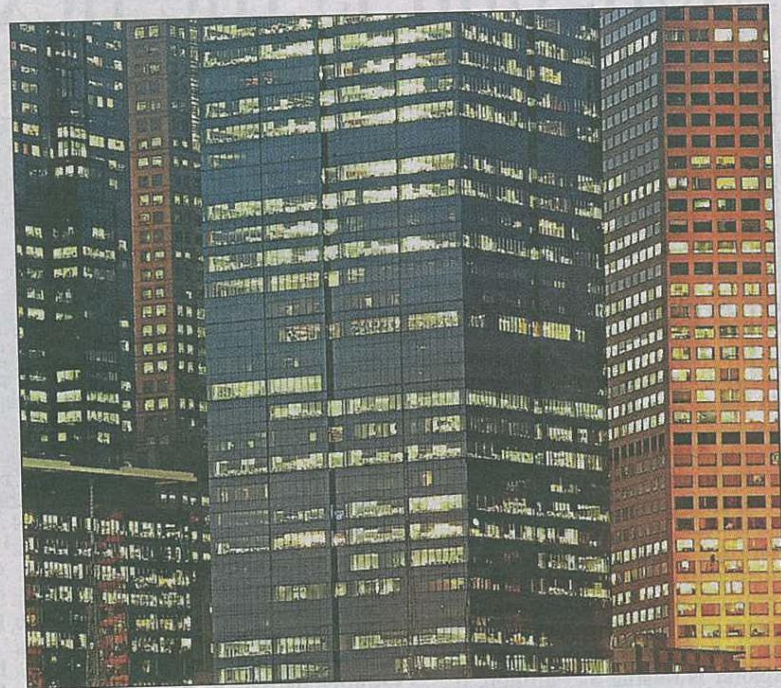
Grocon tried to float the assets as part of a portfolio with the help of Macquarie Group earlier this year at around their net tangible asset (NTA) backing. It was unable to garner support, particularly as the rival Colonial fund traded at a discount.

Underwriters JPMorgan and Macquarie handled yesterday's \$159 million institutional placement and a \$115 million entitlement offer by CPA to back the latest deal.

Goldman Sachs analysts said the pricing of CPA's entitlement offer "looks attractive". But CPA investors are worried they are in effect paying Grocon slightly above NTA for the bulk of the old float portfolio.

The concern arises because CPA units have been issued to Grocon at such a large discount.

Colonial says the towers it bought are valued at \$601 million but it will pay just \$581.4 million for them.



Grocon will benefit as the Melbourne property cycle lifts.

Photo: PAUL ROVERE

Grocon is taking \$60 million of the price in CPA units at 88¢ and \$43 million at 86¢.

The "discount" CPA is getting on the towers of \$19.8 million is more than offset by the \$254 million discount to NTA on the units provided to Grocon, according to investors.

They are unhappy with CPA for issuing equity at a 20.8 per cent

discount in the first instance. One analyst put the dilution to existing investors at \$109 million. Some of this could have been eased by a rights issue.

But the Colonial property operation ranks among the very best and is confident the deal can work in favour of its investors longer term as the benefits of tying up with Grocon will increase as the property cycle lifts.

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The Portfolio

The Melbourne Portfolio



Asset	QV Building, Lonsdale, Melbourne	AXA Headquarters, 750 Collins Street, Melbourne	Media House at 655 Collins Street
Ownership	50%	100%	100%
Acquisition Price	\$269.8m	\$220.0m	\$91.6m
Initial yield	7.68%	6.64%	6.88%
Cap Rate	8.11%	7.33%	7.05%
Valuation	\$286.0m	\$223.0m	\$92.0m
Building Grade	A-grade	A-grade	A-grade
Net Lettable Area	Office 58,675 m ² Retail 47,086 m ²	40,734 m ²	16,966 m ²
Occupancy	Office - 100% Retail – 98.7%	100%	100%
WALE	5.2 years	8.7 years	19 years
Key tenants	Office - BHP, Telstra, Accenture, GHD. Retail - Woolworths, Big W, Harvey Norman, Fitness First	AXA Australia	The Age