INVESTA
Property Group

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July 24, 2003

The Manager
Company Announcements
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Madam

Investa Property Group
Principal Office Fund ("POF") 5th Target's Statement

Last night, BT Funds Management Limited ("BTFM") released a fifth Supplementary Target's Statement which contained further amendments to Principal Real Estate Investors Australia Limited's ("PREIA") proposal to internalise the management of POF and acquire US Suburban office and industrial assets ("PREIA Proposal").

Investa, which owns 23.9% of POF units on issue, is concerned with the obviously fluid nature of the PREIA proposal, which has now been revised twice since it was revealed 7 days ago. Investa believes these changes are indicative of the imprecise and uncertain nature of PREIA's proposal compared to Investa's unconditional cash and scrip Offer for 100% of POF.

Investa wishes to make it clear to the market that as Investa intends to vote its full stake in POF against PREIA's Proposal, it is almost impossible for the internalisation to be approved. It is also highly unlikely that the balance of the PREIA Proposal will succeed.

The PREIA Proposal remains highly conditional and uncertain. It has not been recommended by POF's Responsible Entity, BTFM, and is not supported by an independent expert assessment.

Investa's intention as the major POF unitholder to oppose the PREIA Proposal is based on several serious concerns about the underlying business case and the associated risks including :

- By diluting POF's quality Australian CBD office portfolio with suburban US office and industrial assets, PREIA would significantly increase the risk profile of POF
- PREIA's stated, proforma distribution improvement for 2003/4 is unachievable and in any case heavily reliant on distribution of up to 3.2 cents per POF unit of POF capital
- PREIA's introduction of income support underscores the uncertainty of earnings outlook under its proposal

- Rebating of fees which will only become payable if the US assets are acquired as part of its proposal
- PREIA's proposal fails to achieve the full benefits of internalising POF's management and would ultimately lead to significant fee payments to its US parent.

Investa's offer is unconditional and available for immediate acceptance. POF Unitholders will be paid the cash and scrip consideration within 5 business days of Investa's receipt of valid acceptances.

For further information regarding this announcement please contact Chris O'Donnell on 8226 9301 or Andrew Junor on 02 8226 9305.

Yours faithfully

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Media Statement

PREIA's changes underscore uncertainty

SYDNEY 24 July 2003 : Investa Property Group ("Investa") today said the latest changes to the proposal by Principal Real Estate Investors Limited ("PREIA") to internalise Principal Office Fund ("POF") and acquire suburban US office and industrial assets further underscored the hasty and uncertain nature of PREIA's proposal

PREIA's proposal has undergone surgery twice within its first week. While PREIA's latest change introduces limited income support to POF if the Fund acquires the US assets, POF Unitholders have no certainty or guarantee of receiving the annual distribution of the 14.0 cents referred to in the Fifth Supplementary Target's Statement released last night.

Investa Managing Director, Chris O'Donnell, said PREIA's introduction of income support simply underscores the uncertainty of the underlying business case for their idea in the first place.

"Both POF's Responsible Entity, BT Funds Management Limited and PREIA have made it clear that there is no certainty or guarantee of a 14 cents distribution in any year," Mr O'Donnell said.

"PREIA's proforma distribution for 2003/4 is unachievable, with or without the income support.

"Under PREIA's proposal, the 2004 proforma earnings are only 9.9 cents per unit with distribution propped up by 3.2 cents of unitholder capital. Even then, the distribution is not achievable as it assumes PREIA's proposal was completed two weeks before it was announced and six months before it expects to be in a position to acquire the US assets," Mr O'Donnell said.

POF unitholders should also consider the prospects for distributions once the proposed income support is withdrawn. To achieve a 14 cent distribution once PREIA's income support falls away and without relying on further distributions of capital, underlying earnings would have to increase by approximately 30%, considerably more than PREIA has delivered to POF unitholders since it was listed in 1993.

Combining US suburban office and industrial assets with a quality Australian office portfolio introduces unnecessary and unwarranted risk for POF

As POF's largest unitholder, with 23.9% of POF units on issue, Investa is opposed to the idea of introducing a mix of offshore assets with POF's high quality Australian office portfolio.

"The attributes and higher risk profile of offshore investment in US suburban office and industrial property are not complementary to POF and create an unwanted level of risk on many levels," Mr O'Donnell said.

"If PREIA believes the acquisition of the US assets from its parent is attractive to the Australian market, Investa believes PREIA should develop a separate initial public offering of those assets.

"Investa considers there is greater merit in providing investors the opportunity to determine their own allocation strategy through discrete portfolios. We question why PREIA has not put forward this alternative."

The alternate proposal is a quasi-internalisation

Investa also opposes PREIA's alternate proposal because it fails to deliver the full benefits of internalisation.

Apart from achieving minimal synergies, PREIA's proposal ultimately results in external fee leakage to its parent for the management of the US assets in excess of the fee level currently being paid to the responsible entity.

"The bottom line is that PREIA's proposal delivers only $2million in synergy benefits as compared to Investa's $11.2million (100% scenario) under our Offer to combine POF with our established, proven internalised business that has all operations under the one management," Mr O'Donnell said.

PREIA's alternate proposal is highly unlikely to eventuate.

Investa will not support the PREIA proposal if it is put to unitholders. As Investa owns almost one quarter of POF it is almost certain that the internalisation proposal (which requires a special resolution) will fail. There is also a strong likelihood that the acquisition of US assets will also fail.

Investa will not support the proposal on the basis that introducing offshore investment changes the risk profile of POF's portfolio in an unacceptable way. External fees on the US assets will be greater than the fees currently paid to PREIA. Given the proposal is unlikely to succeed, Investa also opposes the continuing expenditure on the proposal which some sources have indicated could be as high as $30m[1].

Investa's Offer is the only one available.

Mr O'Donnell said in contrast to the highly uncertain PREIA proposal: "The Investa Offer is unconditional, and available for acceptance now. The uplift in income offered to POF unitholders who accept Investa's Offer is real and not contingent upon income support, capital distributions or the high risks which accompany the change in strategic direction contemplated in PREIA's proposal. Importantly Investa retains its Australian based property value chain strategy"

Investa strongly encourages POF unitholders to accept its unconditional Offer which is scheduled to close on August 4. Unitholders will be paid the cash and scrip consideration within five business days of Investa's receipt of valid acceptances.

ENDS

Enquiries
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[1] UBS Investment Research Report, Principal Office Fund, 18 July 2003, Table 1