

BURWOOD PROPERTY SYNDICATE

ARSN 086 646 086

BURWOOD UNIT TRUST

ARSN 086 645 481

SEPTEMBER 2010

QUARTERLY INVESTORS' REPORT

December 2010

This is not an asset of the Fund

UNCERTAIN BUSINESS CONDITIONS DO NOT BODE WELL FOR THE PROPERTY MARKET IN THE SHORT TERM, HOWEVER THERE HAS BEEN SOME RENEWED INVESTOR INTEREST IN RESIDENTIAL AND COMMERCIAL PROPERTY.



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Funds Management



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Investor Relations
Manager

ECONOMIC UPDATE

The operation and performance of Australian property funds continues to be adversely impacted by the fallout from the global economic downturn and the resultant credit squeeze, which commenced in late 2007. While uncertainty about the global economy remains high, the Australian economy continues to perform soundly relative to its North Atlantic peers. However, economic conditions in Australia are subdued in all sectors with the exception of mining and resources.

The general outlook for the Australian property market remains subdued for the next 12 to 18 months, as bank finance is likely to remain constrained and costly. Financing constraints will remain the most significant issue confronting Australian property over this period. As a result, valuations are expected to move sideways or only increase marginally during this phase of the property cycle.

Australian business confidence remains positive according to recent surveys, however the surveys have also revealed patchy business conditions, amplifying concerns of an uneven recovery.

These uncertain business conditions do not bode well for the property market in the short term, however there has been some renewed investor interest in residential and commercial property. This has been evidenced by recent surveys showing that commercial, industrial, retail and residential sectors are at, or close to, the bottom of the property cycle. Sydney and Melbourne markets appear to be closely aligned, with Melbourne expected to move ahead

in commercial and retail sectors over the next year. There is also an expectation that Brisbane may remain slightly behind across all property classes for the next few years.

On the demand side, commercial property transactions in excess of \$5 million rebounded to \$2.6 billion in the third quarter in 2010, up 75 percent on last year. The office sector attracted the majority of investor funds, accounting for 70 percent of transactions in the quarter, industrial property accounted for 23 percent of all sales in the quarter, and retail accounted for 7 percent.

Meanwhile, leasing enquiry levels increased by 38 percent in capital cities including Melbourne, Sydney, Brisbane and Perth in the 12 months to September 2010. This indicates commercial property markets will continue to improve, particularly in Sydney and Melbourne where office markets are expected to experience supply constraints.

Importantly, demand and supply fundamentals, in most property markets, are in reasonable balance. As the economy recovers, tenant demand will lift and eventually flow through to rents and values, however this is unlikely to occur until 2011/12.

As a further positive sign of the strength of Australia's financial system, the Reserve Bank of Australia (RBA) advised in September 2010 that stock of non-performing assets on bank balance sheets was stabilising at a lower level than in previous cycles and access to funding markets had improved.

APGF WEBSITE

APGF has recently updated its website, www.apgf.com.au to improve usability and ensure investors have access to important information regarding their investments. Under the Unlisted Funds section, investors will find updates, property details and the latest Fund summary including Net Tangible Assets per unit and financial metrics of the Fund. The Fund summary will be updated on a quarterly basis. We welcome your feedback on our website to info@apgf.com.au.

HOLIDAY OFFICE CLOSURE

APGF will close for the Christmas period at 3pm on Friday, 24 December 2010, and will re-open on Tuesday, 4 January 2011. We wish investors a safe and happy holiday season.

INVESTOR REPORTS

In 2011, APGF will amend its investor reporting cycle to half-yearly reports. Investors will receive reports for the six months ending June and December commencing 1 January 2011. Fund summaries, including Net Tangible Assets per unit, will be updated on a quarterly basis and will be available online at www.apgf.com.au. APGF will continue to keep investors informed of important information by letter, investor bulletin or APGF's website. APGF's Investor Relations Team can be contacted during business hours on 1300 668 698.

PROPERTY MARKET UPDATE

SYDNEY

Sydney's CBD office market has achieved net absorption of 27,600 square metres during the September 2010 quarter. Despite the low net absorption, the vacancy rate increased to 8.1 percent, with two-thirds of the increase occurring in the secondary office market.

There have been some positive signs for the Sydney CBD office market with the decline in sub-leasing activity to 1.2 percent of total stock, the lowest level since 2008.

Prime gross rents have stalled over the past 18 months in the CBD and there is unlikely to be much movement until the vacancy rate tightens further. Gross face rents ranged from \$845 to \$1,400 per square metre for Sydney CBD premium office space; \$655 to \$970 per square metre for A Grade space; and \$485 to \$630 per square metre for B Grade space.

Industrial property accounted for 23 percent of Sydney property transactions including all office, retail and industrial sales during the third quarter of 2010. The industrial sales tally was supported by a number of major industrial transactions including the \$210 million-plus sale of the Salta portfolio.

Sydney's central west and western industrial markets have displayed their resilience following a number of significant sales and leasing transactions. In Western Sydney, Goodman Group and Brickworks recently announced the development of two new pre-committed facilities at Oakdale Industrial Estate at Sydney's Eastern Creek. Net face rents in Western Sydney currently range from \$95 to \$115 per square metre for prime industrial space and from \$70 to \$95 per square metre for secondary industrial space. Sydney's central west has arguably been the strongest performer with higher rental rates and low vacancy rates.

The Sydney CBD retail market remains one of the more attractive property markets in Australia. Despite strong demand for property in this sub-market, supply remains limited with vacancy rates at below 1 percent.

Retail rents in the Sydney CBD range between \$4,700 and \$13,000 per square metre for super prime space (yielding between 6 percent and 7 percent); \$950 to \$4,500 per square metre for prime space (yielding between 5.5 percent and 7.55 percent) and \$530 and \$2,300 per square metre (yielding between 6.75 percent and 8.5 percent) for secondary space.

The Pitt Street Mall is currently being redeveloped and this is set to strengthen this super-prime retail precinct. The \$1.2 billion project comprises most of the Sydney Tower block between Pitt Street Mall and Castlereagh Street. The development includes a seven-level mall, which amalgamates the old Imperial, Glasshouse and Centrepont Shopping Centres to create 250 new shops in addition to a new commercial tower, a rooftop bar precinct and an upgrade of the office building at 100 Market Street.

Bondi and Newtown retail precincts have been among Sydney's best performers. The Bondi retail precinct is achieving prime rent values in Campbell Parade ranging between \$900 and \$1,600 per square metre and yields of below 6 percent, while Newtown's prime retail hub in King Street currently has a vacancy rate of approximately 3.5 percent with rents ranging between \$700 and \$1,510 per square metre.

The market update published in this report relates to the property market(s) relative to this Fund. Should you wish to read our complete property market update which covers Sydney, Melbourne, Brisbane, Perth, Cairns, Canberra, Gold Coast, and Hobart please request a copy by email to info@apgf.com.au or by phone to 1300 668 698.

ASSET MANAGEMENT

Note: Net building income is for the 12 months to 30 September 2010. Vacancy rate is at 30 September 2010.

29-31 Belmore Street, Burwood, NSW

Net Building Income: \$925,964

Vacancy Rate: Nil

Investors are aware AMES commenced its new seven year lease on 1 July 2010, however the lease was conditional upon AMES being the successful tenderer to provide English language services in the Burwood area.

As detailed in the letter to investors dated 8 December 2010, AMES has confirmed it was unsuccessful in securing the new contract for the Adult Migrant English Program in Burwood and, as a result, it will exercise the break clause in its lease to vacate the Burwood premises on 30 June 2011.

The tenancy currently occupied by AMES was purpose-built to accommodate education services.

APGF's asset management team is exploring leasing alternatives, including contacting the company it believes has been awarded the contract in an effort to secure a lease of the premises to this entity.

Leasing is now the highest priority for the property and in addition to the above, a leasing campaign will commence in early 2011 in order to secure a replacement tenant.

DISTRIBUTIONS

Distributions were being paid on a quarterly basis at 11.5 cents per unit per annum. As detailed in the letter to investors dated 16 December 2010, there is a possibility approximately 80 percent of the property will become vacant when AMES' lease expires in June 2011. As such, distributions will be suspended from 1 January 2011. The final distribution payment for the December 2010 quarter will be made on 14 January 2011.



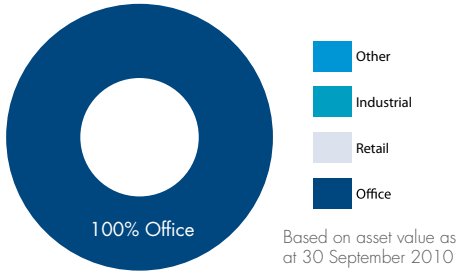
BANK DEBT

St George Bank continues to finance the \$3,750,000 debt facility and the Fund is currently meeting its banking covenants under the facility agreement, which expires in February 2012.

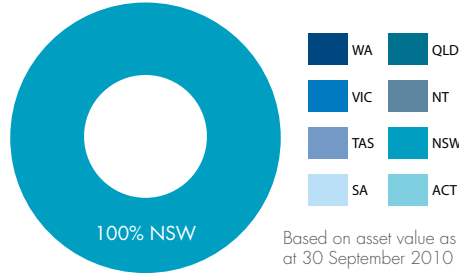


29-31 Belmore Street, Burwood

DIVERSIFICATION BY SECTOR



DIVERSIFICATION BY LOCATION



AS THE ECONOMY RECOVERS, TENANT DEMAND WILL LIFT AND EVENTUALLY FLOW THROUGH TO RENTS AND VALUES.

FUND SUMMARY

AS AT 30 SEPTEMBER 2010	
Net Tangible Assets Per Unit	\$1.14
Loan to Value Ratio (LVR)	44.1%
Interest Cover Ratio (ICR)	4.7 times*
Weighted Average Lease Expiry	0.59 years
Current Valuation	\$8,500,000
Maturity Date	4 August 2011

* For the three months to 30 September 2010.

DISCLAIMER

This information is provided without taking into consideration your objectives, financial situation or needs and is not intended as financial product advice or a recommendation. You should obtain independent financial advice before making any investment decision. Past performance is not indicative of future performance.

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We welcome your feedback on this September 2010 Quarterly Investors' Report.

You can contact us at info@apgf.com.au.

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