

Australian Unity Office Fund

July 2019

Australian Unity Investment Real Estate Limited
(ABN 86 606 414 368, AFSL 477434) as Responsible Entity of
Australian Unity Office Fund (ARSN 113 369 627)
271 Spring Street Melbourne VIC 3000
Tel: 13 29 39

Property Management Agreement - Summary

The following is a summary of the Property Management Agreement.

AUIRE as Responsible Entity, and the sub-trustees as trustee of their respective Sub-Trusts, (together the '**Fund Trustees**') have entered into a property management agreement ('Property Management Agreement') with Australian Unity Property Management Pty Limited ABN 76 073 590 600 ('AUPM'), a wholly owned subsidiary of Australian Unity Limited ABN 23 087 648 888, under which AUPM has been appointed as the property manager of the Fund. AUPM agreed to provide certain property management services to the Fund Trustees under the Property Management Agreement, on AUIRE becoming the Responsible Entity of the Fund.

The 'Sub-Trusts' comprise each sub-trust directly or indirectly owned by AUIRE as the Responsible Entity of the Fund, being the:

- Australian Unity Fifth Commercial Trust;
- Australian Unity Second Industrial Trust;
- Australian Unity Holding Trust;
- Australian Unity Sixth Commercial Trust;
- Australian Unity Fourth Commercial Trust; and
- Pirie Street Trust.

Summary of services provided under the Property Management Agreement

Under the Property Management Agreement, AUPM is accountable for the overall performance of the Properties and is engaged to provide a number of services including:

Property management services:

- developing and implementing strategic asset plans for a Property;
- preparing annual budgets;
- conducting monthly leasing, third party reports and accounts reviews for each Property;

Issuer

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- undertaking general administration of tenancies and statutory assessments for each Property;
- producing a monthly report detailing income and expenditure transactions for each Property; and
- liaising with any appointed service provider on all Property related matters.

Financial management services:

- issuing monthly statements to tenants for rent and charges;
- completing a monthly statement of monies received or expenses incurred;
- collecting and managing lease deposits and lease security;
- reviewing and managing arrears of rent and associated charges;
- implementing rent reviews contained within leases at appropriate times;
- completing and providing tenants with annual outgoing estimates and reconciliations; and
- paying all Property outgoings and completing tenant account reconciliations as necessary.

Leasing services:

- providing information to enable AUIRE to analyse and source for prospective tenants; and
- negotiating with prospective tenants the term of a new lease or lease renewal.

Rent review services:

- reviewing terms of lease to determine the type of review required;
- engaging an independent valuer for current market rental opinion;
- reviewing the current outgoings and recoveries in respect of a lease with an analysis against comparable premises;
- reviewing market data and commentary;
- the assessment of the relative strength and weaknesses of the lease covenants; and
- preparing and submitting rental review report to AUIRE.

Project supervision services (in relation to capital works):

- preparing outcomes briefs;
- reviewing tenders;
- progress and delivery of capital works program; and
- managing project or construction managers and measuring completed capital works against key outcomes.

Term

The initial term of the Property Management Agreement will be for 10 years, with the agreement to continue for 5 years after the initial term, unless terminated upon the giving of two years' notice at any time after the initial term. If AUIRE (or one of its related bodies corporate) ceases to be the Responsible Entity, the Property

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Management Agreement will terminate automatically two years after the change in Responsible Entity (or immediately if AUPM so elects, in which case the new Responsible Entity will be obliged to pay the equivalent of 24 months' management fees to AUPM).

Fees and expenses

The fees paid under the Property Management Agreement are consistent with market rates and will be the subject of independent review once every three years to ensure consistency with the market. The parties have agreed to seek to mutually agree any fee changes that may be required at that time. The fees were most recently independently reviewed and agreed with effect from 1 July 2019.

Under the Property Management Agreement, AUPM is entitled to a combined fee for the property management and financial management services of 3% per annum (prior to 1 July 2019, 2% per annum) of the budgeted Gross Operating Income for each Property and any properties acquired by the Fund or Sub-Trusts at a later date, that are not excluded at the election of the Fund Trustees ('Managed Properties'). The fee is payable monthly in arrears and reconciled to actual Gross Operating Income after each financial year end. If the combined vacancy rates of the Managed Properties exceed 15%, the Gross Operating Income will be deemed to be 85% of the combined Gross Operating Income of the Properties as if the Properties have no vacancy.

In addition, AUPM is entitled to:

- receive a leasing fee for new leases with prospective tenants and renewals or increases in the leased area of leases by existing tenants. The leasing fee ranges from 11% (for leases of 3 years or less) (prior to 1 July 2019, 9% per annum) to 15% (for leases of more than 9 years (prior to 1 July 2019, for leases of more than 11 years)) of the average annual gross rental income achieved under the term of the relevant lease ('Base Lease Fee'). The Base Lease Fee is payable in full in respect of the grant of a new lease. The leasing fee payable for renewals of leases and relocations of existing tenants is 50% of the Base Lease Fee and the leasing fee for the exercise of a lease renewal option is 25% of the Base Lease Fee. However, if another property agent has been appointed to provide leasing services in respect of the relevant Property, the leasing fee payable to AUPM in all circumstances other than an extension of the leased area will be 25% of the Base Lease Fee. The lease fee payable for an extension of the leased area is 50% of the Base Lease Fee calculated only in respect of the additional leased area;
- receive a market rent review fee of 10% of any increase achieved in the average annual rent payable by the lessee over the remainder of the lease term, where AUPM has conducted the rent review and provided that no other external property agent is paid a market rent review fee;
- receive a fee for project supervision services of 5% of the cost of the Capital Works project (where the cost is less than or equal to \$1 million), otherwise \$50,000 plus 1% above \$1 million of the cost of the Capital Works project (prior to 1 July 2019, the fee was 1% of the cost of the Capital Works regardless of the cost of the Capital Works);

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- fees for any additional services which are not otherwise described in this summary can be negotiated between the parties from time to time; and
- be reimbursed for all disbursements and reasonable third party expenses incurred in connection with the provision of the services.

In addition, the Fund may directly appoint third party service providers in connection with the property management services from time to time. Fees payable to these parties will be at market rates and in addition to those payable to AUPM.

If AUIRE (or one of its related bodies corporate) ceases to be the Responsible Entity, the Property Management Agreement will terminate automatically two years after the change in Responsible Entity (or immediately if AUPM so elects, in which case the new Responsible Entity will be obliged to pay the equivalent of 24 months' management fees to AUPM).

Liability and indemnity

AUPM indemnifies the Fund Trustees against all expenses, claims, liabilities, costs, loss or damage of any nature which the Responsible Entity may suffer to the extent that they arise out of or in connection with any breach by AUPM or its officers, employees, agents or contractors of the Property Management Agreement, except to the extent that the breach is caused or contributed to by the gross negligence, fraud or wilful default of the Fund Trustees, its officers, employees, agents or contractors.

Provided that AUPM is not in default under Property Management Agreement or in respect of any of its management obligations, nor negligent in its duties, the Fund Trustees indemnify AUPM for any claims by a third party or liabilities AUPM incurs which arises out of the performance of the services under the Property Management Agreement.

The liability of the Responsible Entity under the Property Management Agreement is only in its capacity as Responsible Entity and is limited to the assets of the Fund where it is entitled to the indemnity out of the assets of the Fund as set out in the Property Management Agreement.

Third party agreements

The Fund Trustees have also entered into a series of agreements with third party service providers in connection with the property management services. The fees and expenses incurred in connection with these services are based on market rates and will be payable in addition to any amounts owing to AUPM from time to time.

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