



Global Asset Management

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Manager of CFS Retail Property Trust Group

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CFS RETAIL PROPERTY TRUST GROUP (CFX)

March 2013 quarterly update

Colonial First State Property Retail Pty Limited, Manager of CFS Retail Property Trust Group (CFX), provides this update for the March quarter 2013.

Key highlights included:

- comparable¹ specialty store sales growth of 2.5% across the shopping centre portfolio for the 12 months to 31 March 2013 compared to 2.1% at 31 December 2012
- development works continuing at Emporium Melbourne, Roxburgh Park Shopping Centre and DFO Homebush with further progress made on the planned expansion of Chadstone Shopping Centre, and
- post the period, the Manager tapped CFX's December 2019 medium term notes (MTNs) issuance for \$50 million and negotiated a five-year extension of a \$150 million bank debt facility.

Mr Michael Gorman, CFX Fund Manager, said: "The retail environment improved slightly during the period, boosted by strength in the equities market, a continued pick up in house prices and solid employment growth. While we are buoyed by these positive outcomes for retail sentiment, retail sales growth remains choppy."

Capital management

Post the period, the Manager undertook two capital management initiatives to further strengthen CFX's balance sheet and improve the debt duration.

Mr Gorman said: "We tapped our December 2019 MTNs issuance for \$50 million, which was three times oversubscribed and resulted in better pricing than the initial raising in December 2012. In addition we negotiated a five-year extension of a \$150 million bank debt facility that was due to expire in July 2013."

Retail sales

CFX's portfolio of 24 shopping centres² maintained a steady rate of sales growth during the March 2013 quarter. The comparable shopping centre portfolio reported moving annual turnover growth of 2.3% over the prior year, with specialty stores up 2.5%. This is an improvement on the sales growth reported to December 2012 of 1.9% and 2.1% respectively.

Mr Gorman said: "We are particularly pleased with sales growth of 8.2% from the DFO retail outlet centres. The increased customer visitations and sales generated from the extensive remixing we have undertaken since their acquisition, bodes well for our current redevelopment at DFO Homebush."

For further details on CFX's total centre and specialty stores MAT, please refer to **Appendix 1**.

Development

CFX's development pipeline is currently \$1.3 billion, with developments typically targeting an average yield on year-one income of 7.0% to 8.0% (excluding Emporium Melbourne).

Mr Gorman said: "During the quarter, we have made solid progress with the construction and leasing at Emporium Melbourne. We are also receiving positive feedback on the Roxburgh Park expansion, and smaller redevelopments at Brimbank and Forest Hill, which will be completed in the coming months."

Projects currently under construction have a development cost of approximately \$813 million (CFX share), with \$249 million remaining to be spent.

¹ Comparable centres refer to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison.

² Excluding Myer Melbourne, 15 Bowes Street, Woden and DFO retail outlet centres.

Key developments under construction

Emporium Melbourne, Melbourne, VIC

Mr Gorman said: "With the project starting to take shape, the leasing program has ramped up and excitement is building as retailers are able to get a feel for what this iconic development will offer them."

The project will incorporate a range of concept and large flagship stores housing some of the world's best international and luxury brands, in a new building in the heart of the Melbourne CBD. The completion of this development will reinstate the connection between Melbourne Central railway station and Bourke Street mall, historically one of Melbourne's busiest pedestrian thoroughfares.

Some of the key tenants secured recently include: UNIQLO, lululemon, MARCS, SABA and M.J. Bale. These are in addition to the quality tenants that have already committed to the project such as: Coach, Topshop, Salvatore Ferragamo, Scanlan & Theodore, sass & bide, Zimmerman, Oroton, Mulberry, Carla Zampatti, Georg Jensen, Alannah Hill, MAX&Co. and Lisa Ho, as well as a range of quality food retailers.

"We are excited to have signed another quality tenant at Emporium Melbourne with the addition of Japanese fast-fashion brand UNIQLO. The store, which is its first in Australia, will be a 3,000 sqm flagship store anchoring our development over four levels. We have been collaborating with UNIQLO for some time both about its expansion plans into Australia and opportunities within our portfolio. UNIQLO's commitment is further confirmation of the world-class nature of this development," Mr Gorman added.

The \$575 million (CFX share) development is targeting a year-one yield on costs of greater than 5%.

Roxburgh Park Shopping Centre, Roxburgh Park, VIC

The \$65 million expansion of Roxburgh Park Shopping Centre is nearing completion with the final stage on schedule to open in May 2013. The project is on track to achieve the target initial year-one yield of greater than 8% and the target internal rate of return of greater than 10%.

DFO Homebush, Homebush, NSW

Works continued on the \$100 million project which involves the addition of a food court and bulky goods retailers, a remix of tenancies, an expansion and reconfiguration of the car park, adding 500 new car spaces, as well as a substantial upgrade to the existing building. Luxury tenants Armani Outlet, Ermenegildo Zegna Outlet and Michael Kors have opened stores under an early works package for the development. The project is targeting an initial year-one yield of greater than 7% and an internal rate of return of greater than 10%, with the majority of outlet stores open by Christmas 2013 and completion of the whole development expected by mid 2014.

Future development

Chadstone Shopping Centre, Chadstone, VIC

The project is now in the design development phase. It is expected to involve redeveloping approximately 60,000 sqm of space and producing up to an additional 25,000 sqm of retail floor area, adding further international retailers and reinforcing Chadstone as Australia's premier shopping centre destination. The recently-gazetted planning scheme also allows for office and hotel development along the Princes Highway. The retail project has an indicative cost of \$520 million (CFX share \$260 million).

Summary and outlook

Mr Gorman said: "Economic indicators for the retail environment are generally heading in a positive direction and this has driven consumers' confidence above the long-term trend. Our portfolio remains in good shape, and we expect retail specialty sales growth across our shopping centre portfolio to reach 3% in this calendar year. Despite the relatively accommodative environment, we also expect the leasing market to remain challenging over the short-term.

"We will continue to ensure that our shopping centres cater to their local communities with a relevant retail offer by delivering the right tenancy mix and facilitating new concepts. That also means we are focused on the successful delivery of our development pipeline, both projects currently under construction, and key developments that are yet to commence, including the next stage of Chadstone Shopping Centre.

"We have firmed our distribution guidance³ to 13.6 cents per security for the 2013 financial year," Mr Gorman concluded.

CFX will be announcing its 2013 annual results on 20 August 2013.

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³ Assuming performance fees are payable for the full financial year and there is no unforeseen material deterioration to existing economic conditions.

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About CFS Retail Property Trust Group (CFX)

CFX is a retail sector-specific Australian Real Estate Investment Trust (A-REIT) which invests in high quality retail assets including super-regional, regional and sub-regional shopping centres and DFO retail outlet centres across Australia. CFX is managed by entities within CFSGAM Property on behalf of more than 17,000 investors from 23 countries. At 31 March 2012, CFX comprised 29 retail assets with a total asset value of \$8.6 billion.

About CFSGAM Property

CFSGAM Property is the specialist property division of Colonial First State Global Asset Management, and is one of the largest real estate fund managers in Australia with \$17 billion in funds under management. CFSGAM Property offers a fully integrated real estate investment platform including investment management, asset management, development management, origination and execution. CFSGAM Property manages a suite of wholesale investment products, as well as three listed real estate investment trusts in Australia and New Zealand.

Appendix 1

12-month comparison tables

Retail sales by category for the 12-month rolling period to 31 March 2013 are detailed below:

Category	Comparable ⁴		Actual	
	MAT Mar 2013 \$m	MAT growth (%)	MAT Mar 2013 \$m	MAT growth (%)
Department stores	616.1	0.0	656.2	(0.2)
Discount department stores	675.9	1.0	766.0	(1.5)
Supermarkets	1,328.7	4.0	1,621.7	3.8
Mini majors	644.6	(1.2)	753.4	(1.3)
Retail specialty	2,509.2	2.5	2,789.0	2.0
Other retail ⁵	426.2	6.3	508.2	5.5
Shopping centre portfolio⁶	6,200.7	2.3	7,094.5	1.7
DFO retail outlet centres	414.0	8.2	570.3	5.9
Total portfolio	6,614.7	2.6	7,664.8	2.0

Retail specialty store sales by category for the 12-month rolling period to 31 March 2013 are detailed below:

Retail specialty category	Comparable		Actual	
	MAT Mar 2013 \$m	MAT growth (%)	MAT Mar 2013 \$m	MAT growth (%)
Food retail	168.5	7.4	198.9	4.0
Food catering	367.1	3.2	415.6	3.1
Apparel	868.1	(1.3)	944.5	(1.4)
Jewellery	201.9	0.5	220.4	0.1
Leisure	167.9	(4.7)	185.1	(5.0)
General retail ⁷	200.3	(0.5)	240.1	0.5
Homewares	251.2	20.7	262.2	19.6
Mobile phones	102.5	5.0	113.5	2.6
Retail services	181.7	5.6	208.7	4.9
Total retail specialty	2,509.2	2.5	2,789.0	2.0

⁴ Comparable centres refer to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison.

⁵ Other retail includes cinemas and sales reporting tenancies under 400 sqm including travel agents, auto accessories, Lotto and other entertainment and non-retail stores.

⁶ Excluding Myer Melbourne, the DFO retail outlet centres and 15 Bowes Street, Woden.

⁷ General retail comprises giftware, pharmacy and cosmetics, pets, discount variety, florists and toys.

Growth in MAT – total shopping centre sales

Property	MAT Mar 2013 (\$m)	MAT Mar 2012 (\$m)	MAT growth (%)	MAT/sqm (\$)
Altona Gate Shopping Centre	127.3	126.0	1.0	5,132
Broadmeadows Shopping Centre	298.7	302.2	(1.2)	5,447
Castle Plaza Shopping Centre	150.0	150.5	(0.3)	7,027
Chadstone Shopping Centre	1,378.6	1,315.6	4.8	9,146
Chatswood Chase Sydney	497.2	484.0	2.7	8,710
Clifford Gardens Shopping Centre	206.4	203.0	1.7	8,297
Corio Shopping Centre	163.8	165.9	(1.3)	6,654
Eastlands Shopping Centre	214.1	218.3	(1.9)	6,653
Elizabeth Shopping Centre	346.2	341.6	1.4	5,201
The Entertainment Quarter	46.8	40.3	16.3	2,061
Grand Plaza Shopping Centre	348.7	338.3	3.1	6,973
Lake Haven Shopping Centre	265.2	262.7	1.0	8,400
The Myer Centre Brisbane	362.0	380.0	(4.8)	5,973
Northgate Shopping Centre	126.1	125.3	0.7	7,143
Northland Shopping Centre	502.1	497.7	0.9	5,886
Post Office Square	24.7	23.5	5.3	15,513
QueensPlaza	258.1	259.3	(0.5)	7,295
Rockingham Shopping Centre	485.5	459.4	5.7	8,528
Rosebud Plaza	130.2	128.4	1.4	5,620
Runaway Bay Shopping Village	269.0	242.3	11.0	7,511
Comparable	6,200.7	6,064.3	2.3	7,064
Development impacted centres				
Bayside Shopping Centre	384.7	387.8	(0.8)	4,554
Brimbank Shopping Centre	148.9	169.1	(11.9)	5,409
Forest Hill Chase	269.4	275.1	(2.1)	5,307
Roxburgh Park Shopping Centre	90.8	80.3	13.1	6,842
Actual (Total shopping centre portfolio)	7,094.5	6,976.6	1.7	6,732

Property	MAT Mar 2013 (\$m)	MAT Mar 2012 (\$m)	MAT growth (%)	MAT/sqm (\$)
DFO Essendon ⁸	141.5	130.7	8.2	7,411
DFO Moorabbin	113.2	114.7	(1.3)	4,947
DFO South Wharf ⁸	159.3	137.3	16.0	5,775
Comparable	414.0	382.7	8.2	5,951
Development impacted centres				
DFO Homebush	156.3	155.9	0.3	9,617
Total DFO portfolio	570.3	538.6	5.9	6,646

⁸ Excluding Homemaker Hub as not all tenancies report sales.

Growth in MAT – specialty store sales

Property	MAT Mar 2013 (\$m)	MAT Mar 2012 (\$m)	MAT growth (%)	MAT/sqm (\$)
Altona Gate Shopping Centre	42.1	43.1	(2.3)	6,529
Broadmeadows Shopping Centre	96.9	94.3	2.8	6,542
Castle Plaza Shopping Centre	42.7	42.6	0.4	8,204
Chadstone Shopping Centre	759.4	715.7	6.1	14,447
Chatswood Chase Sydney	246.8	233.6	5.6	11,218
Clifford Gardens Shopping Centre	66.7	66.0	1.1	9,372
Corio Shopping Centre	43.4	44.7	(2.9)	5,482
Eastlands Shopping Centre	69.5	74.3	(6.4)	7,585
Elizabeth Shopping Centre	117.1	114.3	2.5	6,966
The Entertainment Quarter	16.9	13.8	22.0	5,318
Grand Plaza Shopping Centre	104.6	103.5	1.1	8,967
Lake Haven Shopping Centre	70.0	69.7	0.4	9,199
The Myer Centre Brisbane	147.3	160.2	(8.0)	11,392
Northgate Shopping Centre	54.6	56.1	(2.6)	9,224
Northland Shopping Centre	230.6	232.6	(0.9)	8,334
Post Office Square	19.0	19.6	(3.1)	12,565
QueensPlaza	119.4	116.8	2.2	16,970
Rockingham Shopping Centre	159.1	145.9	9.0	8,874
Rosebud Plaza	37.3	37.7	(0.9)	7,249
Runaway Bay Shopping Village	65.8	63.4	3.7	7,916
Comparable	2,509.2	2,447.9	2.5	9,999
Development impacted centres				
Bayside Shopping Centre	151.9	151.8	0.0	6,503
Brimbank Central Shopping Centre	35.9	40.5	(11.3)	5,548
Forest Hill Chase	78.1	82.0	(4.7)	6,148
Roxburgh Park Shopping Centre	13.9	12.6	10.5	5,373
Actual (Total shopping centre portfolio)	2,789.0	2,734.8	2.0	9,420

Property	MAT Mar 2013 (\$m)	MAT Mar 2012 (\$m)	MAT growth (%)	MAT/sqm (\$)
DFO Essendon ⁹	133.8	123.0	8.8	7,783
DFO Moorabbin	97.7	100.0	(2.3)	5,366
DFO South Wharf ⁹	127.1	106.9	18.9	6,750
Comparable	358.6	329.9	8.7	6,613
Development impacted centres				
DFO Homebush	125.5	125.0	0.3	11,125
Total DFO portfolio	484.1	454.9	6.4	7,390

⁹ Excluding Homemaker Hub as not all tenancies report sales.