



Global Asset Management

Colonial First State Property Retail Pty Limited
ABN 19 101 384 294

Manager of CFS Retail Property Trust

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2 May 2012

CFS RETAIL PROPERTY TRUST (CFX)

March 2012 quarterly update

Colonial First State Property Retail Pty Limited, Manager of CFS Retail Property Trust (CFX or the 'Trust'), is pleased to provide this update for the March quarter 2012.

Key highlights included:

- the sale and settlement of a 50% interest in The Myer Centre Brisbane to ISPT for \$366 million
- the announcement of an on-market buy-back for up to \$150 million in units which commenced on 10 April 2012
- the resetting of interest rate swaps reducing the Trust's weighted average interest costs from 6.5% at 31 December 2011 to 6.0%¹ at 31 March 2012
- the commencement of the \$60 million expansion of Roxburgh Park Shopping Centre, and
- comparable² retail specialty store moving annual turnover (MAT) growth of 2.2%.

CFX Fund Manager, Michael Gorman, said: "While consumer sentiment in Australia remains subdued, CFS Retail Property Trust continues to show resilience, supported by one of the largest retail asset management teams in Australia and a portfolio of quality shopping centres."

Proposal to amend CFX structure to facilitate additional shopping centre income

Commonwealth Managed Investments Limited (CMIL), the Responsible Entity of CFX, has today announced a proposal to reconstruct CFX by stapling units in CFX to units in a new trust, Retail Trust 2 (CFX2), so that it may explore potential non-rental income streams from its shopping centre assets. Please refer to a separate announcement made to the Australian Securities Exchange today titled: "*Proposal to amend CFX structure to facilitate additional shopping centre income*".

Mr Gorman, said: "The proposed amendment of the Trust's structure provides a genuine opportunity to derive further value for our unitholders from our national portfolio of quality shopping centre assets."

Details of the proposal are outlined in the Notice of Meeting, Explanatory Statement & Product Disclosure Statement ("PDS") which will be mailed to CFX unitholders and can be found on the Trust's website cfsgam.com.au/cfx.

Divestment

On 26 March 2012, the Manager successfully sold and settled on a 50% interest in The Myer Centre Brisbane. The 50% interest was sold to ISPT for \$366 million which was in line with the November 2011 independent valuation.

Mr Gorman said: "The sale reflects our commitment to delivering on strategy and maximising returns for our investors. This transaction has not only provided us with further capital flexibility, it also teams us with another strong and like-minded joint-venture partner."

"By retaining a 50% interest in the asset, we have been able to maintain the breadth and depth of our portfolio which underpins the strength of our tenant relationships, while simultaneously freeing up some capital from an asset where we have realised significant value," said Mr Gorman.

¹ Adjusted for interest rate hedges that were reset up to 19 April 2012.

² Comparable centres refers to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison.

This transaction demonstrates that demand for high quality shopping centres remains strong. It also provides clear transactional evidence to support the current book values of our assets which underpin the Trust's Net Tangible Asset backing per unit (NTA).

"We will continue to look at the potential sale of smaller non-core sub-regional assets and 50% interests in fully-developed regional and CBD shopping centres. Any transactional activity will be executed over time and with the ultimate goal of improving portfolio quality and diversification," said Mr Gorman.

"The use of surplus capital is subject to rigorous assessment to determine how best to redeploy those funds, whether that be into accretive redevelopments, acquiring CFX units or other capital management initiatives, or acquiring interests in shopping centres."

Capital management

The Manager was particularly active in executing a number of capital management initiatives during the period:

Initiation of an on-market unit buy-back

In March, the Trust announced an on-market buy-back of up to \$150 million of CFX units, funded by surplus capital from the proceeds of The Myer Centre Brisbane transaction. As at 19 April 2012, \$7.9 million in units had been acquired by the Manager (or 4.3 million units at an average price of \$1.83).

Mr Gorman said: "Surplus capital from The Myer Centre Brisbane transaction has allowed us to undertake further value-enhancing opportunities for our unitholders such as buying back and cancelling a portion of the Trust's units."

If further surplus capital becomes available in the next 12 months, the Manager will consider increasing the buy-back to up to 5% of issued capital in total.

The Manager will only purchase CFX units where it is accretive to earnings and to NTA, and where Management considers that the proposed buy-back is the optimum deployment of capital.

Repricing hedges

The Manager took advantage of the favourable interest rate environment to reset the pricing on the Trust's interest rate hedges. This resulted in the Trust's weighted average cost of hedged debt reducing from 5.9% to 5.4%, and correspondingly the Trust's weighted average cost of debt overall fell from 6.5% to 6.0%, since 31 December 2011. A summary of the change in key debt statistics is as follows:

	31 Mar 2012 ^a	31 Dec 2011 ^b
Gearing ^c (%)	27.3	28.1
Undrawn debt (\$million)	765	601
Weighted average interest rate ^d (%)	6.0	6.5
Weighted average duration of debt (years)	3.1	3.4
Proportion of debt hedged ^e (%)	86	91
Weighted average interest rate on hedged debt ^{e,1} (%)	5.4	5.9
Weighted average duration of hedged debt ^e (years)	3.6	3.9

- Based on unaudited accounts and adjusted for capital management initiatives undertaken to 19 April 2012.
- Adjusted for \$100 million of medium term notes issued in February 2012
- Total drawn debt divided by total assets. Total assets exclude the fair value of financial derivative instruments.
- Including line fees and margins.
- Including convertible notes and fixed-rate medium term notes.
- Excluding line fees and margins.

Other capital management initiatives

During the period, the Manager tapped the Trust's May 2014 medium term notes for \$100 million at favourable pricing, providing greater flexibility for the Trust's balance sheet.

Retail sales

The Trust's property portfolio of 24 shopping centre assets³ recorded total sales of \$7.0 billion over the 12 months to 31 March 2012, up \$65 million from the previous corresponding period.

Mr Gorman said: "The Trust's portfolio sales figures are relatively solid in a subdued retail environment where retailers have a number of sectors competing for their market share of discretionary spend. The growth in consumer spend has not slowed, but items such as international travel continue to divert discretionary spend away from retail."

³ Excluding Myer Melbourne, 15 Bowes Street, Woden and the DFO centres.

“Mid-level apparel retailers continue to experience difficulty, particularly in the smaller centres, while sales in the leisure category are also weak. These are two categories that have been the focus of our leasing in recent times. On the other hand, food retailing, services and technology have been strong performers, while DFO sales have been more reflective of the extensive remixing we have undertaken at these assets,” said Mr Gorman.

Total comparable MAT sales growth of 0.6% and specialty sales growth of 2.2% have both softened over the past three months. The weaker growth in part reflects soft consumer sentiment, but is also impacted by the cycling out of strong comparable sales achieved in the March quarter of 2011.

For further details on the Trust’s MAT sales by retail category and by centre, please refer to **Appendix 1**

Development

The Trust’s development pipeline now stands at \$1.2 billion, with developments typically targeting an average year-one yield of 7.0% to 8.0% (excluding Emporium Melbourne). Projects currently under construction have a development cost of approximately \$620 million, with \$236 million remaining to be spent.

Mr Gorman said: “The sales results in the different retail specialty categories reflect where we are concentrating our development efforts. Projects such as Emporium Melbourne, where there is good demand from high level fashion, and Roxburgh Park, which is more fresh food and services orientated, are more attractive at this stage in the cycle. Alternative, projects that are focused on mid-level apparel, have been deferred until that part of the market improves.”

Developments under construction

Emporium Melbourne, Melbourne, Vic

Works continue to meet program on the \$1.12 billion (CFX share \$560 million) Emporium Melbourne project. Our leasing program remains on schedule. The target initial year-one yield is greater than 6% and our target internal rate of return is greater than 9%. The project is expected to be complete at the end of 2013.

Roxburgh Park Shopping Centre, Roxburgh Park, Vic

The \$60 million redevelopment of Roxburgh Park Shopping Centre commenced in January 2012. The project includes two new supermarkets, the addition of approximately 40 specialty stores and an upgrade of the existing building. The target initial year-one yield is greater than 8% and the target internal rate of return is greater than 10%.

Future developments

Forest Hill Chase Shopping Centre, Forest Hill, Vic

The \$20 million redevelopment at Forest Hill Chase will involve the addition of an Aldi supermarket and several specialty tenants. All approvals are now in place, with construction due to commence in May 2012.

Brimbank Central Shopping Centre, Deer Park, Vic

The \$34 million redevelopment of Brimbank Central will involve the introduction of a new large-format Coles supermarket, replacing the vacating Kmart tenancy, and an expanded and revitalised fresh food precinct. The project will aim to reposition Brimbank as the dominant food and convenience destination in its catchment. All approvals are now in place, with construction due to commence in May 2012.

DFO Homebush, Homebush, NSW

The proposed \$75 million redevelopment will seek to expand and further improve the retail mix and centre access, and increase the number of parking spaces. The plan involves a remix of DFO tenancies, the addition of a food court and bulky goods retailers, an expansion and reconfiguration of the car park, as well as an upgrade to the existing building. Construction will commence once an amendment to an existing development approval is secured.

Chadstone Shopping Centre, Chadstone, Vic

After six months of community consultation, the planning approval process for the proposed \$520 million (CFX share \$260 million) redevelopment achieved a further milestone during the period. Stonnington Council has requested the Minister for Planning to appoint a panel to consider a Planning Scheme Amendment (C154) required for the project to progress. An outcome is expected before the end of the calendar year. The project will involve redeveloping approximately 60,000 sqm of space and producing an additional 25,000 sqm of retail floor area, adding further international retailers and reinforcing Chadstone’s reputation as Australia’s premier shopping centre destination.

Summary and outlook

Mr Gorman said: “The Trust remains in a good position and we are pleased to have delivered on some key areas of our strategy during the period. These include selling a 50% interest in The Myer Centre Brisbane, initiating a unit buy-back and progressing our development pipeline.”

“The retail environment continues to be tough, particularly for mid-level apparel. Accordingly, we have deferred some redevelopment projects weighted towards this segment of the market. We will also continue to remix some of our smaller shopping centres to have a greater focus on food, general retail and services and less on apparel. On the other hand we continue to experience solid leasing demand for our regional shopping centres.”

Retail property has experienced headwinds over the past 12 months, however, a number of tailwinds are also present. The Australian economy is forecast to accelerate towards trend growth this year, interest rates are forecast to fall and the high national savings rate has stabilised.

Our outlook is for 3% growth in retail sales this year and we remain confident of delivering on the distribution guidance of 13.1 cents per unit⁴ for the 12 months ending 30 June 2012.

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About CFS Retail Property Trust

CFS Retail Property Trust (CFX or the ‘Trust’) is a retail sector-specific Australian Real Estate Investment Trust (A-REIT) which invests in high quality retail assets including super-regional, regional, sub-regional and retail outlet shopping centres across Australia. Its stock market trading code is CFX. The Trust is managed on behalf of more than 18,000 investors from 24 countries.

About Colonial First State Global Asset Management (CFSGAM)

CFSGAM is the consolidated asset management arm of Commonwealth Bank of Australia (the ‘Bank’), and sits within the Bank’s Wealth Management division. Entities within CFSGAM provide management services to the Trust. CFSGAM Property is a fully integrated real estate investment business with approximately \$18 billion in funds and assets under management, employing more than 950 people across Australia and New Zealand.

⁴ Assuming performance fees are payable for the full 12-month period and there is no unforeseen material deterioration in existing economic conditions.

Appendix 1

12-month comparison tables

Retail sales by category for the 12-month rolling period to 31 March 2012 are detailed below:

Category	Comparable ⁵		Actual	
	MAT 31 Mar 2012 \$m	MAT growth (%)	MAT 31 Mar 2012 \$m	MAT Growth ² (%)
Department stores	623.5	(4.8)	657.3	(5.1)
Discount department stores	731.2	(2.2)	777.4	(2.2)
Supermarkets	1,429.9	0.8	1,563.5	1.5
Mini majors	694.7	(1.0)	760.7	1.4
Retail specialty	2,574.0	2.2	2,739.6	2.1
Other retail ⁶	460.2	5.8	483.2	6.2
Shopping centre portfolio^b	6,513.5	0.6	6,981.7	0.9
DFO centres	538.0	(0.3)	538.0	(0.3)
Total portfolio	7,051.5	0.5	7,519.7	0.9

Retail specialty store sales by category for the 12-month rolling period to 31 March 2012 are detailed below:

Shopping centre portfolio ⁷	Comparable		Actual	
Retail specialty category	MAT 31 Mar 2012 \$m	MAT growth (%)	MAT 31 Mar 2012 \$m	MAT growth (%)
Food retail	177.5	7.9	191.6	7.1
Food catering	375.4	6.1	402.5	6.4
Apparel	909.3	0.0	961.7	0.2
Jewellery	208.1	(1.1)	220.0	(1.0)
Leisure ⁸	177.0	(7.2)	189.2	(7.6)
General retail ⁹	222.7	0.3	245.3	0.1
Homewares	213.5	9.2	219.6	8.0
Mobile phones	103.0	10.3	110.4	10.7
Retail services	187.5	5.0	199.3	4.2
Total retail specialty	2,574.0	2.2	2,739.6	2.1

⁵ Comparable centres refer to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison.

⁶ Other retail includes cinemas and sales reporting tenancies under 400 sqm including travel agents, auto accessories, Lotto and other entertainment and non-retail stores.

⁷ Excluding Myer Melbourne, 15 Bowes Street, Woden and DFO Centres.

⁸ Also reflects a reduction in floor space across the portfolio.

⁹ General retail comprises giftware, pharmacy and cosmetics, pets, discount variety, florists and toys.

Growth in MAT – total shopping centre sales

Property	MAT 31 Mar 2012 (\$m)	MAT 31 Mar 2011 (\$m)	Growth (%)	MAT/sqm (\$)
Altona Gate Shopping Centre	126.0	133.6	(5.7)	4,915
Brimbank Central Shopping Centre	169.1	171.1	(1.2)	4,809
Broadmeadows Shopping Centre	303.4	320.2	(5.3)	5,366
Castle Plaza Shopping Centre	150.6	149.3	0.9	7,071
Chadstone Shopping Centre	1,316.0	1,312.2	0.3	8,640
Chatswood Chase Sydney	484.4	486.2	(0.4)	8,458
Clifford Gardens Shopping Centre	203.0	205.7	(1.3)	8,080
Corio Shopping Centre	165.8	165.2	0.4	6,768
Eastlands Shopping Centre	217.9	223.7	(2.6)	6,669
Elizabeth Shopping Centre	345.5	352.2	(1.9)	5,171
The Entertainment Quarter	41.0	39.9	2.9	2,011
Forest Hill Chase	275.0	259.2	6.1	5,415
Grand Plaza Shopping Centre	338.2	340.1	(0.5)	6,734
Lake Haven Shopping Centre	262.1	265.0	(1.1)	8,116
The Myer Centre Brisbane	380.1	370.0	2.7	6,172
Northgate Shopping Centre	125.2	122.9	1.8	7,028
Northland Shopping Centre	496.9	491.4	1.1	5,815
Post Office Square	23.4	25.3	(7.5)	15,761
QueensPlaza	259.4	251.5	3.1	7,399
Rockingham Shopping Centre	459.5	426.2	7.8	8,153
Rosebud Plaza	128.6	128.1	0.4	4,278
Runaway Bay Shopping Village	242.4	237.7	2.0	7,087
Comparable	6,513.5	6,476.7	0.6	6,694
Development impacted centres				
Bayside Shopping Centre	387.8	361.0	7.4	4,637
Roxburgh Park Shopping Centre	80.4	78.9	1.8	7,708
Actual (Total shopping centre portfolio)	6,981.7	6,916.7	0.9	6,543

Property	MAT 31 Mar 2012 (\$m)	MAT 31 Mar 2011 (\$m)	Growth (%)	MAT/sqm (\$)
Total centre				
DFO Essendon ⁹	130.7	132.3	(1.2)	6,997
DFO Homebush	155.8	158.2	(1.6)	8,865
DFO Moorabbin	114.3	117.6	(2.8)	4,867
DFO South Wharf ⁹	137.2	131.6	4.3	4,972
DFO portfolio	538.0	539.7	(0.3)	6,161

9. Excluding Homemaker Hub as not all tenancies report sales.

Growth in MAT – specialty store sales

Property	MAT 31 Mar 2012 (\$m)	MAT 31 Mar 2011 (\$m)	Growth (%)	MAT/sqm (\$)
Altona Gate Shopping Centre	43.1	41.7	3.4	6,678
Brimbank Central Shopping Centre	40.5	41.4	(2.1)	5,327
Broadmeadows Shopping Centre	94.3	98.6	(4.3)	6,289
Castle Plaza Shopping Centre	42.7	42.8	(0.2)	8,259
Chadstone Shopping Centre	716.0	686.4	4.3	13,466
Chatswood Chase Sydney	232.1	221.5	4.8	10,357
Clifford Gardens Shopping Centre	66.0	65.9	0.1	8,956
Corio Shopping Centre	44.7	47.6	(6.1)	5,677
Eastlands Shopping Centre	74.0	77.1	(4.0)	7,751
Elizabeth Shopping Centre	118.2	118.7	(0.4)	6,912
The Entertainment Quarter	14.5	11.4	27.1	4,781
Forest Hill Chase	81.9	81.7	0.3	6,362
Grand Plaza Shopping Centre	103.4	108.9	(5.1)	8,700
Lake Haven Shopping Centre	69.3	67.3	2.9	8,804
The Myer Centre Brisbane	160.3	151.3	5.9	11,615
Northgate Shopping Centre	56.0	55.4	1.1	9,205
Northland Shopping Centre	232.8	229.5	1.4	8,374
Post Office Square	19.6	19.9	(1.5)	13,452
QueensPlaza	116.9	114.0	2.5	17,394
Rockingham Shopping Centre	146.4	136.4	7.3	8,416
Rosebud Plaza	37.8	37.3	1.2	7,169
Runaway Bay Shopping Village	63.5	63.7	(0.3)	7,659
Comparable	2,574.0	2,518.5	2.2	9,388
Development impacted centres				
Bayside Shopping Centre	153.1	151.6	1.0	6,787
Roxburgh Park Shopping Centre	12.5	13.6	(7.9)	6,268
Actual (Total shopping centre portfolio)	2,739.6	2,683.7	2.1	9,171

Property	MAT 31 Mar 2012 (\$m)	MAT 31 Mar 2011 (\$m)	Growth (%)	MAT/sqm (\$)
Specialty stores				
DFO Essendon ¹⁰	123.0	122.1	0.8	7,328
DFO Homebush	135.1	135.2	(0.1)	11,079
DFO Moorabbin	99.6	101.9	(2.2)	5,417
DFO South Wharf ¹⁰	106.8	102.4	4.3	5,862
DFO portfolio	464.5	461.6	0.6	7,082

10. Excluding Homemaker Hub as not all tenancies report sales.