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## CFS Retail Property Trust Group (CFX) and Commonwealth Property Office Fund (CPA)

Investor day and March 2013 quarterly update

23 April 2013

### Agenda Chadstone

- Welcome and introduction  
Angus McNaughton, Managing Director, Property
- CPA March 2013 quarterly update  
Charles Moore, CPA Fund Manager
- CFX March 2013 quarterly update  
Michael Gorman, CFX Fund Manager
- CFSGAM Asset Management  
David Marcun, COO Asset Management
- Retail Operations  
George Karabatsos, Head of Retail Operations
- International retailers  
Stuart Macrae, General Manager Leasing
- Retail development  
Tony Gilchrist, Head of Development



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## Agenda

385 Bourke Street, Melbourne



- Afternoon session introduction  
*Angus McNaughton, Managing Director, Property*
- Responsible Property Investment  
*Rowan Griffin, Head of Sustainability, Property*
- Office Asset Management  
*Jon Lesquereux, Head of Office Asset Management*
- Melbourne office leasing environment  
*Andrew Beasley and Tony Landrigan  
National office leasing directors, Colliers International*
- Site tour – 385 Bourke Street
- Site tour – 180-222 Lonsdale Street



385 Bourke Street, Melbourne

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## CFSGAM Asset Management

**David Marcun**  
COO Asset Management

23 April 2013



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## Asset Management

Focused on delivering sustainable returns for our investors



To be the best in property

- Established in 1983
- One of the largest asset management teams across Australia and New Zealand
- \$20 billion in assets under management
- Over 720 property specialists across:
  - multiple asset types
  - different investor classes
- Retail and office capability

Chadstone Shopping Centre, VIC

## Asset Management

Managing one of the largest property portfolios in the region



### Portfolio size

Retail: 44 shopping centres  
Office: 38 buildings

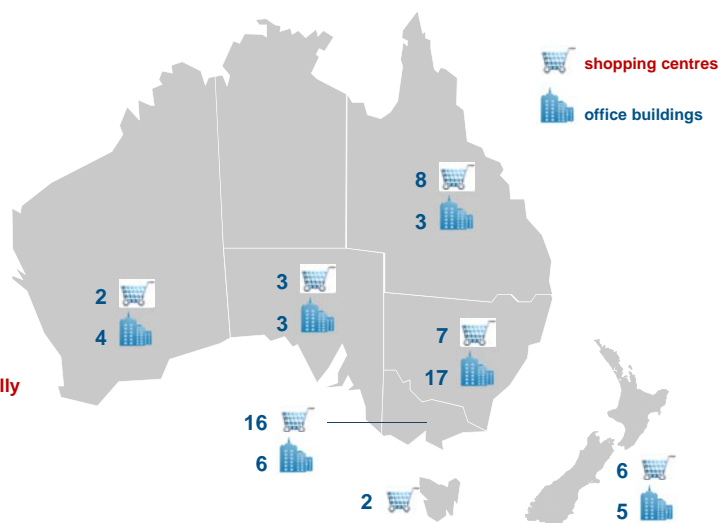
### Leasable area

Retail: 1.8+ million sqm GLA  
Office: 1.1+ million sqm NLA

### Tenants

Retail: 6,000+  
Office: 700+

280+ million shoppers annually



As at 31 March 2012.

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## Asset Management

Tailored approach to asset management, leveraging our in-house expertise and scale



### RETAIL



Brimbank Shopping Centre, VIC

- Competitive advantage
- Intensive asset management
- Centralised and de-centralised elements

### OFFICE



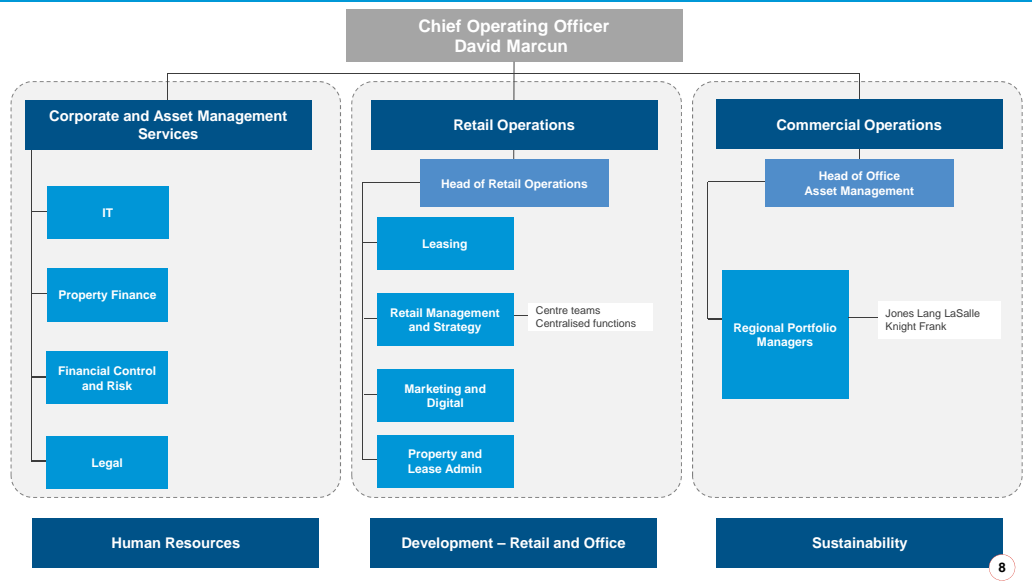
11 Waymouth Street, Adelaide

- Commoditised asset class
- Internal team drives strategy
- External team complements skill set

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## Asset Management

Our organisation



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**Asset Management**  
Business improvement – our four pillars

**Colonial First State**  
Global Asset Management



**Continuous sustainable improvements**

- Develop a culture where people have a mindset of continuous improvement

**Process excellence**

- Build and maintain a process excellence skill set across the business
- Provide a methodology for problem solving
- Improve specific processes

**Executive committee**

- Management trained in process excellence and lead by example
- Develop role models and advocacy for business improvement
- Educate

**Management by process**

- Collaboration across processes
- Metrics on process performance
- End to end accountability

Queens Plaza, QLD 9

**Asset Management**  
Our progress on Continuous Sustainable Improvement

**Colonial First State**  
Global Asset Management



**Participants**

- All involved staff have received training
- Target five improvements per FTE annually

**Improvements**

- 1,236 improvements implemented in FY12
- Target of 4,314 improvements for FY13
- 3,540 implemented to date in FY13

**Value added**

- Improved quality
- Better customer service
- Reduced risks
- More efficiency

2 Southbank Boulevard, Melbourne, VIC 10



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## Retail Operations

**George Karabatsos**  
Head of Retail Operations

23 April 2013



## Retail Asset Management

We have scale and leverage

We have the 2<sup>nd</sup> largest retail property portfolio in the region

We manage 44 shopping centres and over 6,000 retail tenant relationships

Regional, sub-regional and outlet centres cater to retailers full distribution chain



As at 31 March 2013.  
Chadstone Shopping Centre, VIC

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**Retail Asset Management**  
Our strategy – to be the best in property

Chatswood Chase Sydney, NSW

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**Retail Asset Management**  
How do we do this? By focusing on strong customer engagement

**The right product**

- Retail tenant mix
- Physical design
- Mall activation

**A great experience**

- Easy access
- Facilities and services
- Community initiatives
- Entertainment
- Family focus

**Active communication**

- Social media
- Digital interaction
- Community events
- Physical mail drops and targeted email campaigns

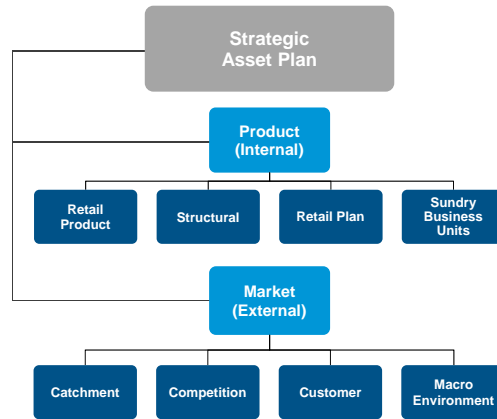
**Strong customer engagement**

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## Retail Asset Management

To drive superior investment performance we consider a broad range of variables



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## Retail Asset Management

Retail operating environment – our observations and our response



Retail spending has been lagging total consumption expenditure but the gap is closing

### Retailer's response

#### Focusing on costs

- Reviewing model and supply chain costs
- Offering discounts but maintaining margins

#### Focusing on innovation

- Investing in product mix
- Retailers increasingly seeing internet as an enabler, driving sales in their physical stores

### Our response

- Greater investment in understanding customer needs
- Evolving retail precincts to reflect needs of key customer segments
- Introducing new concepts
- Improving services and enhancing customer experiences
- Greater engagement and communication with customers through digital technology

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## International retailers

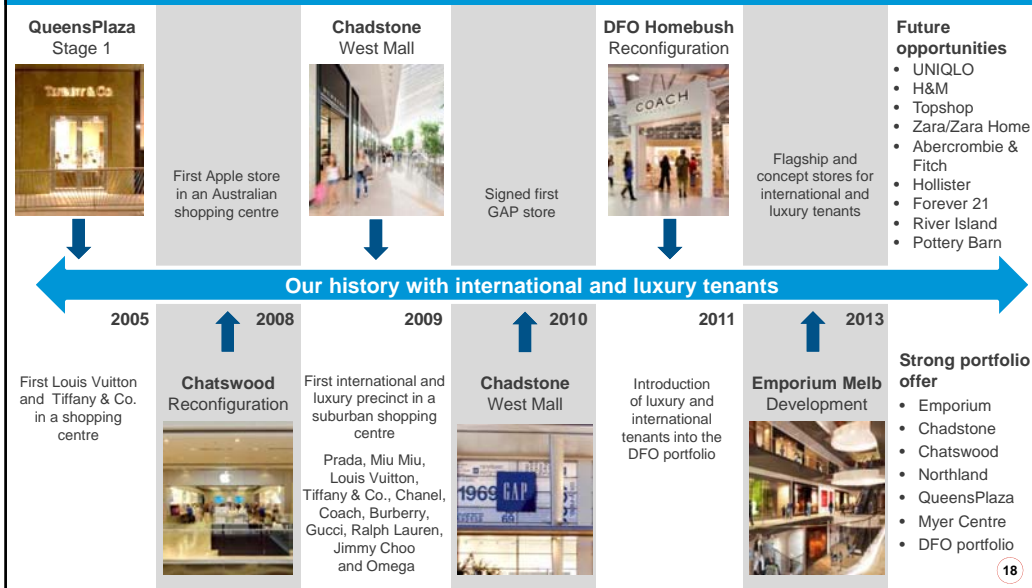
**Stuart Macrae**  
General Manager Leasing

23 April 2013



## Retail Asset Management

International, luxury tenants and CFSGAM Property




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**Colonial**  
First State  
Global Asset Management

## Retail development

**Tony Gilchrist**  
Head of Development

23 April 2013



**Colonial**  
First State  
Global Asset Management

### Retail Asset Management

The best in property – a development perspective

- Over the **past eight years**, CFSGAM Property has completed projects with a total **cost of \$2.8 billion** at an average year-one **yield of 7.2%** and an average **IRR of 11.5%**
- The current development **pipeline is \$2.4 billion**

Development  
is a key  
value driver  
for retail

New  
concepts

- QueensPlaza (2005)
- Chadstone luxury mall (2009)
- Emporium (2013)
- Chadstone – stage 35 (tba)

Revitalise  
centres

- Rockingham (2009)
- Northland (2009)
- Forest Hill (2013)
- Brimbank (2013)

Expand  
centres

- Rockingham (2009)  
Sub-regional to regional
- Roxburgh Park (2013)  
Neighbourhood to sub-regional

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## Retail Asset Management

Through development we have been adding value to our centres for many years



**Queens Plaza** 2003 - 2007

- Created top-end CBD regional centre
- Revitalised David Jones
- Brought Louis Vuitton and Tiffany & Co. to Brisbane



**Midland Gate** 2004 - 2007

- Expanded retail offer
- Added a DDS
- Catering to growing market



**Chadstone** 2006 - 2009

- Loop mall, fresh food, and luxury malls added
- New precincts and concepts introduced



**Myer Melbourne** 2007 - 2013

- Rebuilt and revitalised the iconic Melbourne Myer store
- Creating a world-class specialty tenant complex with Emporium Melbourne



**Rockingham** 2007 - 2009

- Upgraded to regional centre
- Revitalised and expanded offer
- Catering to growing market



**Bendigo** 2007 - 2009

- Expanded retail offer and added underground car park
- Consolidated position as the region's dominant centre



**Chatswood** 2008 - 2009

- Built a new mall over 3 levels
- Expanded fashion offer
- New format supermarket and food hall



**Northland** 2008 - 2009

- Built a new mall
- Expanded retail offer
- Added a DDS

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## Retail Asset Management


Development enables centres to adapt to changing trends - our experience



Market	Features	Trends
<b>Smaller centres</b>	<ul style="list-style-type: none"> <li>• Convenience</li> <li>• Services</li> <li>• Fresh food</li> <li>• Community engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Rebirth of Coles (and before that Woolworths)</li> <li>• Aldi</li> <li>• Specialist grocers, medical services, banks, real estate agents, restaurants</li> </ul>
<b>Larger centres</b>	<ul style="list-style-type: none"> <li>• All of the above</li> <li>• Full range of services</li> <li>• Expanded dining options</li> <li>• Entertainment</li> </ul>	<ul style="list-style-type: none"> <li>• Accommodate large footprint for internationals</li> <li>• Luxuries demand a high-quality fit-out</li> <li>• Expansion of mini-majors</li> <li>• Restaurant and entertainment precincts</li> <li>• Higher service level (concierge, valet, family facilities)</li> <li>• Mixed uses</li> <li>• Range of services</li> </ul>
<b>Outlet centres</b>	<ul style="list-style-type: none"> <li>• Strong brand focus</li> <li>• Youth orientated</li> <li>• Key part of retailer distribution channel</li> </ul>	<ul style="list-style-type: none"> <li>• Reconfigure for tenants with higher spec fit-outs</li> <li>• Expanding to satisfy the tenant demand</li> <li>• Natural part of international and luxury expansion into Australia</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Customers demand greater digital interaction</li> <li>• Immediate gratification</li> </ul>	<ul style="list-style-type: none"> <li>• Assisted car parking</li> <li>• Building digital friendly infrastructure</li> </ul>

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# Responsible Property Investment (RPI)

**Rowan Griffin**  
Head of Sustainability, Property

23 April 2013





## Responsible Property Investment


Underpinning our fund strategies


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Our business is a signatory to the United Nations Principles for Responsible Investment (PRI)

We embed environment, social and governance (ESG) considerations to deliver long-term sustainable returns

Environment	Social	Governance
<ul style="list-style-type: none"> <li>Resource efficiency</li> <li>Energy management</li> <li>Carbon emissions</li> <li>Green building ratings</li> </ul>	+	<ul style="list-style-type: none"> <li>Health and safety</li> <li>Green leases</li> <li>Vertical communities</li> <li>Community engagement</li> </ul>
+	<ul style="list-style-type: none"> <li>Financial stability</li> <li>Corporate governance</li> <li>Anti-corruption</li> <li>Transparent disclosure</li> </ul>	+







<b>Commonwealth Property Office Fund</b>	<b>CFS Retail Property Trust Group</b>
<ul style="list-style-type: none"> <li>• Managing efficiently and reducing costs of resource use</li> <li>• Providing and creating vertical communities, and ensuring tenant satisfaction and building loyalty</li> <li>• Strong corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Managing efficiently and reducing costs of resource use</li> <li>• Providing a vibrant marketplace</li> <li>• Community encompassing</li> <li>• Strong corporate governance</li> </ul>

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## Responsible Property Investment

Growing evidence: why it works

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**RPI focuses on mitigating risks and capitalising on opportunities for secure returns**

Better for business	Office	Green attributes of buildings can improve human health and performance, resulting in bottom line benefits for businesses
	Retail	Customers and tenants are showing increasing environmental awareness
Lower costs	Office	Green buildings save money through reduced energy and water use and lower long-term operating and maintenance costs
	Retail	
Higher income	Office	Global studies show green buildings more easily attract tenants, command higher rents and sale prices
	Retail	By default, lower outgoings translate to higher income (static occupancy costs)
Risk mitigation	Office	Regulatory risks have become increasingly apparent globally Investment risks from climate change
	Retail	Preparedness for increasing regulation in the retail environment Reputation management - growing community expectations

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## Responsible Property Investment

We are a world leader

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To be the best in property

→

GRESB

CPA a world leader for two consecutive years, and all active CFGAM Property funds rated as Green Stars in the Global Real Estate Sustainability Benchmark

→

CDP

CPA and CFX were top rated companies in 2012 for both Leadership in Disclosure and Leadership in Performance in the Carbon Disclosure Project

→

APREA

CPA and CFX have been consistently rewarded for corporate governance practices, valuation and reporting in the Asia Pacific Real Estate Association's awards for best practice

→

DJSI & FTSE4 GOOD

Continued inclusion in global sustainability indices  
**DJSI:** CFX 2004, CPA 2003  
**FTSE4GOOD:** CFX 2001, CPA 2005

11 Waymouth Street, Adelaide

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## Responsible Property Investment

Demonstrating environmental performance

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### Optimising environmental performance and creating compelling places to work and shop

**1 Total return focus**

- Reducing energy consumption
- Reducing carbon outputs
- Reducing water consumption
- Decreasing waste
- Improving recycling
- Materials and building products

**2 Implementation**

- Analysis
- Asset planning
- Management
- Investment
  - Training
  - Human endeavours
  - Plant and equipment

**3 Success**

- Implementation
- Benchmarking
- Resetting targets
- Analysis
- NABERS ratings

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## Responsible Property Investment

It makes good business sense

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**CPA savings over five years**

- Saved enough energy to power 4,498 average Australian homes  
Avoided \$8.2 million energy costs
- Reduced emissions by the equivalent of 11,747 around the world A380 passenger trips
- Diverted enough waste to fill over 865 standard metropolitan buses\*
- Saved enough water to fill 73 Olympic sized swimming pools

**21.3%**  
more water efficient

**30.4%**  
more energy efficient

**30.2%**  
lower emissions intensity

**54%**  
waste diverted from landfill\*

**CFX savings over four years**

- Saved enough energy to power 1,854 average Australian homes  
Avoided \$5.1 million energy costs
- Reduced emissions by the equivalent of 11,492 around the world A380 passenger trips
- Diverted enough waste to fill over 744 standard metropolitan buses\*
- Saved enough water to fill 247 Olympic sized swimming pools

**29.4%**  
more water efficient

**8.6%**  
more energy efficient

**15.1%**  
lower emissions intensity

**26.2%**  
waste diverted from landfill\*


\* FY12

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## Responsible Property Investment

Environmental case studies




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✓ Office

**Heating, ventilation and cooling**  
56 Pitt, 14 Lee and 201 Miller streets


Project cost	\$28,000
Savings (year one)	\$160,000
Energy savings (pa)	940,000kWh
NABERS Energy increase	Av 0.5 stars



✓ Retail

**Variable speed travelators**  
Forest Hill Chase

Project cost	\$28,700
Savings (pa)	\$13,600
Energy savings (pa)	123,900kWh



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## Responsible Property Investment

Demonstrating social performance



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Our social initiatives are driven by stakeholder engagement  
to make better long term decisions

**Social initiatives in the office environment**

- ✓

Vertical communities
- ✓

Green leases
- ✓

Waste and recycling training (tenants, staff and cleaners)
- ✓

Responsible Procurement Policy

**Social initiatives in the retail environment**

- ✓

National programs such as "Let's live better campaign"
- ✓

Local community focus and partnerships
- ✓

Away from home recycling
- ✓

In-kind and charitable donations, local community and national

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## Responsible Property Investment

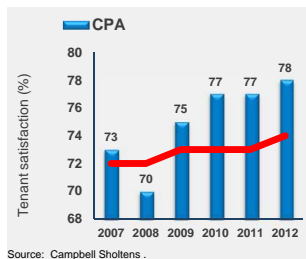
### Social case studies



#### Office

##### Tenant satisfaction surveys

CPA has shown continuous improvement in tenant satisfaction since 2007, highlighting our efforts in tenant engagement and ensuring our assets provide compelling workplaces



#### Retail

##### Youth car park art competition Rockingham Shopping Centre

- Positive engagement with youth
- Database for future engagement
- Increased community profile
- Reduced anti-social behaviour



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## Responsible Property Investment

### Demonstrating best practice governance



- ✓ Extensive track record acting as a fiduciary
- ✓ Board independence and governance oversight. Majority independent directors, independent audit and compliance committee
- ✓ Operating within a robust regulatory framework
- ✓ We draw on the skills and expertise of more than 950 people within CFSGAM Property and the broader CBA group

CFSGAM Property benefits from its Commonwealth Bank of Australia parentage, through extensive internal resources and best in class corporate governance practices

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## Responsible Property Investment Governance case studies

- ✓ Office
- ✓ Retail



CPA and CFX are consistently merited and awarded in the Asia Pacific Real Estate Association's awards for best practice, particularly in the areas of:

- Governance
- Reporting
- Valuations

## Responsible Property Investment Summary

**Our programs are forward focused, flexible and proactive. They seek to future-proof the assets and safeguard the value and return of the funds.**


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Global Asset Management

# Office Asset Management

Jon Lesquereux  
Head of Office Asset Management

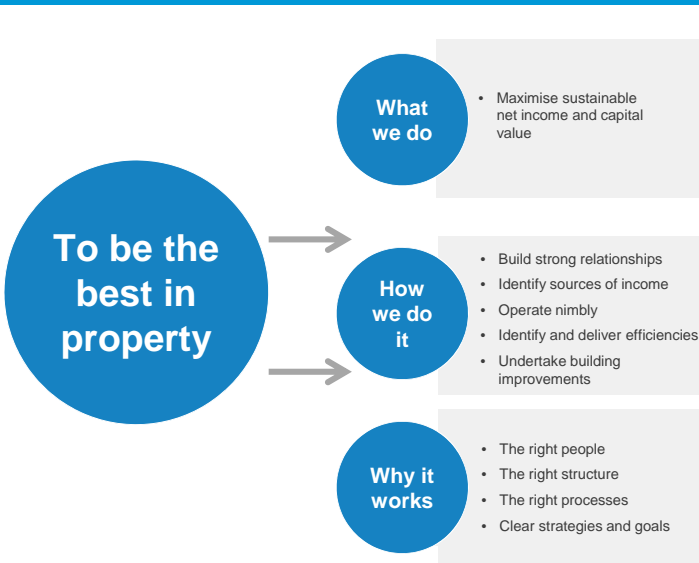
23 April 2013




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Global Asset Management

## Office Asset Management

Our approach



- What we do**
  - Maximise sustainable net income and capital value
- How we do it**
  - Build strong relationships
  - Identify sources of income
  - Operate nimbly
  - Identify and deliver efficiencies
  - Undertake building improvements
- Why it works**
  - The right people
  - The right structure
  - The right processes
  - Clear strategies and goals



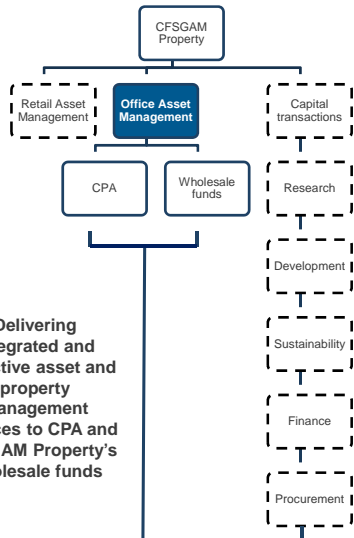
145 Ann Street, Brisbane

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## Office Asset Management

Our structure supports our active approach



Delivering integrated and proactive asset and property management services to CPA and CFSGAM Property's wholesale funds

**Our team**

- Head of Office Asset Management
- Regional Portfolio Managers
- Property Analysts
- Administration

**Strong business support**

Group structure provides excellent resourcing and assistance across capital transactions, finance, development and sustainability



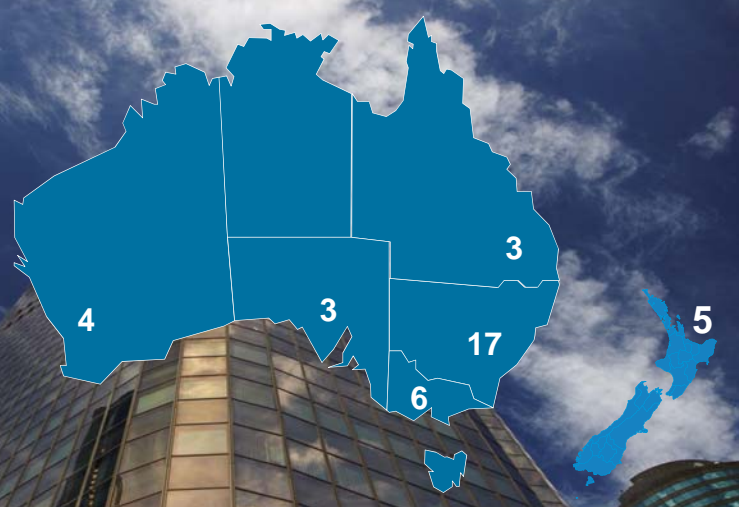
Artist's impression of 5 Martin Place, Sydney

## Office Asset Management

We have scale and leverage



- We manage 33 office buildings in Australia
- We maintain relationships with more than 540 tenants
- The space we manage (920,000 sqm) is equivalent to 21% of Melbourne's CBD



As at 31 March 2013.  
10 Eagle Street, Brisbane

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**Office Asset Management**  
Partnering to outperform

**Colonial First State**  
Global Asset Management

Strategic	Asset management	Day to day	Property management
	<ul style="list-style-type: none"> <li>• <b>Leasing</b> <ul style="list-style-type: none"> <li>• Monitoring market intelligence</li> <li>• Meeting potential tenants</li> <li>• Negotiating deals</li> <li>• Maintaining existing relationships</li> </ul> </li> <li>• <b>Capital management</b> <ul style="list-style-type: none"> <li>• Identifying strategic capital investments</li> <li>• Approving expenditure (within delegations)</li> <li>• Monitoring best practice building facilities</li> </ul> </li> <li>• <b>Financial</b> <ul style="list-style-type: none"> <li>• Responsible for delivering net property income</li> <li>• Strategic business planning</li> <li>• Budgeting and forecasting</li> </ul> </li> </ul> <p style="text-align: center; background-color: #0070C0; color: white; margin-top: 10px;"><b>CFSGAM Property</b></p>		<p><b>Outsourced day to day property management function to Jones Lang LaSalle* (JLL)</b></p> <ul style="list-style-type: none"> <li>• Billing tenants</li> <li>• Paying expenditure</li> <li>• Property maintenance</li> <li>• Routine capital expenditure</li> </ul> <ul style="list-style-type: none"> <li>• <b>JLL second largest commercial real estate company worldwide</b> <ul style="list-style-type: none"> <li>• Established infrastructure</li> <li>• Efficient use of resources</li> </ul> </li> <li>• <b>Transparent cost plus model</b> <ul style="list-style-type: none"> <li>• Profit linked to KPIs</li> </ul> </li> <li>• <b>Nationwide exposure</b></li> </ul> <p style="text-align: center; background-color: #0070C0; color: white; margin-top: 10px;"><b>Jones Lang LaSalle</b></p>

\* Applicable for all 100% CPA-owned properties.

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**Office Asset Management**  
Tenant satisfaction is a core focus

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Global Asset Management

Independent tenant surveys completed annually

We consistently outperform our competitors and peers

Tenant satisfaction is built in to our team's KPIs

**Continuous improvement in tenant satisfaction for CPA**

Year	CPA (%)	Benchmark (%)
2007	73	72
2008	70	72
2009	75	73
2010	77	73
2011	77	73
2012	78	74

Source: Campbell Sholtens.

11 Waymouth Street, Adelaide

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## Office Asset Management

Adding value for our tenants



### Lobby upgrade

#### 10 Eagle Street

- \$2 million internal and external lobby upgrade
- Introduce lobby café
- Replace original lobby, modernise entry points, reception and ground floor areas

Brisbane



### End of trip facilities

#### 180 Lonsdale Street

- Increasing bike racks from 199 to 367
- Increasing secure lockers from 392 to 646
- Increasing showers from 12 to 36
- Utilising 1,181 sqm of space in the basement area currently leased to BHP

Melbourne

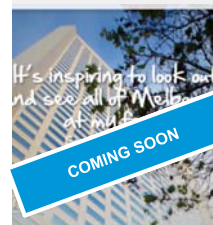


### Online media

#### Vertical communities

- Upgrading 18 asset websites
- Building vertical communities, to enhance tenant engagement and building experience
- Strong leasing focus
- Alternate revenue streams generated

Nationwide



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## Further information



### For further information please contact:

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### 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.

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