

CFS RETAIL PROPERTY TRUST GROUP (CFX)

Comprising:

CFX Co Limited ABN 79 167 087 363

CFX Retail Property Trust 1 ARSN 090 150 280

Responsible Entity: Commonwealth Managed Investments Limited

ABN 33 084 098 180 AFSL 235384

22 October 2014

ASX ANNOUNCEMENT

September 2014 quarterly update

CFS Retail Property Trust Group (CFX or the Group) provides this update for the September 2014 quarter.

Key highlights in the September 2014 quarter included:

- comparable¹ specialty store sales growing 2.7% across the direct shopping centre portfolio (Direct Portfolio) for the 12 months to 30 September 2014, an improvement on the 2.2% to 30 June 2014
- CFSGAM Property Enhanced Retail Fund (CERF) acquiring two shopping centres
- the official launch of the Emporium Melbourne project
- commencing construction on the next stage of redevelopment of Chadstone Shopping Centre
- raising US\$200m of long-dated debt through a US private placement²
- being the top-ranked retail REIT in Australia and No. 2 ranked retail REIT globally for our approach to sustainability by GRESB³, while also maintaining our membership in both the DJSI sustainability indices and the FTSE4Good index, and
- announcing that CFX is to become Novion Property Group (ASX: NVN) effective 3 November 2014.

Post the period, the Group:

- was ranked as a Climate Disclosure Leader by CDP amongst listed entities across Australia and New Zealand for our approach to addressing climate change and the potential impacts on our portfolio, and
- sold Post Office Square, QLD for \$67.0 million.

Mr Angus McNaughton, Managing Director and CEO, said: "It has been an eventful period for the Group highlighted by the launch of a new corporate identity, extending our debt expiry profile, commencing a major redevelopment project, selling a non-core asset and receiving recognition for our responsible investment program. We were also delighted to welcome the four Williams-Sonoma brands to Chatswood Chase Sydney and Uniqlo to Chadstone Shopping Centre."

Transition update post internalisation

Mr McNaughton said: "Transition activities to a fully integrated and independently managed vehicle are progressing well for the Group. The Board is now complete with the commencement of Mr Peter Hay during the period as an Independent Non-executive Director. We also announced CFX will change its name to Novion Property Group with effect from 3 November 2014.

"Over the next month, the Group's Sydney office will be operating out of a new location, at the MLC Centre in Martin Place and we will be welcoming Mr Richard Jamieson to the Group as Chief Financial Officer."

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

² Forward start.

³ Global Real Estate Sustainability Benchmark.

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Retail sales

CFX's portfolio of 23 shopping centres⁴ reported a modest improvement in sales growth for the 12 months to September 2014. The comparable shopping centre portfolio reported moving annual turnover (MAT) growth of 0.9% over the prior year, with specialty stores up 2.7%. This is an increase on the rate of growth reported to June 2014 of 0.2% and 2.2% respectively. Our DFO portfolio continued its strong trading with growth of 8.7% reported over the same period last year.

Mr Michael Gorman, Deputy CEO and Chief Investment Officer, said: "Specialty sales growth during the period improved in most categories across our portfolio, particularly in some of the discretionary spending categories. Whilst we remain cautious about the current retail environment, we do expect retail sales will steadily improve over the year."

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

Capital management

Capital management activities during the period included raising \$64.9 million through the Dividend and Distribution Reinvestment Plan (DRP) for the June 2014 payment, as well as raising US\$200 million of debt in a forward-start private placement to US investors (USPP).

Mr Gorman said: "The raising of US\$200 million of USPP extends the Group's debt duration from 3.3 years to 4.0 years whilst maintaining our existing average cost of debt. The USPP will be used to repay \$100 million of medium term notes (MTNs) that expire in December 2014 and repay bank debt. There are no further debt expiries this financial year."

Wholesale Fund acquisitions

Mr McNaughton said: "We continued to deliver upon the investment strategy for CERF during the period, acquiring two shopping centres for a consideration of \$88.6 million⁵."

In August 2014, CERF acquired Bathurst City Centre, Bathurst NSW, for \$62.6 million.⁵ It is a 12,200 sqm neighbourhood centre located in one of the fastest growing inland regions of NSW with a strong performing supermarket and opportunities to add value through active management.

In September 2014, CERF acquired Gateway Plaza, Leopold VIC, for \$26.0 million.⁵ It is a 5,500 sqm neighbourhood centre located in a growth corridor on the Bellarine Peninsula in Victoria. Additionally, adjoining vacant land that is zoned for retail use, which is expected to settle by April 2015, provides the opportunity for future expansion of the site into a sub-regional shopping centre.

"The acquisition of these assets is in line with CERF's strategy of acquiring neighbourhood or sub-regional centres located in strong trade areas where we can add value through our fully integrated retail asset management platform," said Mr McNaughton.

Non-core asset sale

Mr McNaughton said: "In October 2014, we sold Post Office Square in Brisbane's CBD for \$67.0 million. When combined with the conditional sale of The Entertainment Quarter, NSW, we are well progressed with our non-core asset divestment program."

Development

Mr McNaughton said: "During the period, we commenced the next stage of redevelopment of Chadstone Shopping Centre and celebrated the official launch of the Emporium Melbourne project where trading results remain strong with nine million customer visits since opening."

CFX's development pipeline currently totals \$1.2 billion, including \$543 million related to CFX's Direct Portfolio⁶. Direct projects currently under construction have a development cost of approximately \$303 million (CFX share). Further, the Group continues to progress the masterplanning of other assets across the portfolio.

⁴ Excluding Myer Bourke Street, Emporium Melbourne, 15 Bowes Street, Woden and DFO retail outlet centres.

⁵ Excluding acquisition costs.

⁶ The 29 retail assets on CFX's balance sheet.

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Chadstone Shopping Centre, VIC – under construction

Construction commenced on the \$580 million (CFX share: \$290 million) next stage of redevelopment of Chadstone Shopping Centre during the period with demolition works well progressed.

The project involves the expansion and redevelopment of the northern end of the centre, including a revitalised West Mall and a world-class entertainment and leisure precinct featuring international flagship and luxury tenants around a central atrium. Concurrently, a 10-level, 17,000 sqm office building with four levels of basement parking is being built on the southern end of the site. Associated works will include the construction of a retail car park deck and a 14-bay centralised bus interchange. In total, approximately 20,000 sqm is being added to retail GLA and 14,000 sqm (net) will be added to office NLA.

The new North Retail precinct will accommodate a state-of-the-art Hoyts digital cinema complex, up to five international flagship stores in 11,000 sqm of space, 40 additional retailers, and a new 1,300-seat, 20-plus tenancy food gallery. Target will also be relocated to the lower ground floor in a new 7,000 sqm store.

Mr McNaughton said: “In keeping with our commitment to responsible property investment, both the retail and office components are targeting 5-star Green Star (as built) ratings.”

The project is targeting an initial yield on completion of greater than 6%, with a target internal rate of return greater than 10%, and is expected to be opened in stages through to completion by mid 2017.

Responsible management and investment

Mr McNaughton said: “CFX continues to be recognised as a leader amongst our retail peers in taking a responsible approach to the management of our portfolio.”

During the period we received the following recognition:

Global Real Estate Sustainability Benchmark (GRESB)

GRESB surveyed over 630 property companies and funds globally on their approach to sustainability which includes a range of environmental, social and governance indicators. CFX was ranked the highest of all retail REITs in Australia and second of retail REITs globally for the 2014 GRESB survey.

CDP (formerly Carbon Disclosure Project)

Mr McNaughton said: “In our 2014 submission to CDP, we were pleased once again to be ranked highly for our approach to the risks and opportunities presented by climate change. CFX was recognised as a Climate Disclosure Leader for the fifth consecutive year, and ranked in the ‘A-’ performance band, for listed entities across Australia and New Zealand.”

Other sustainability indices

CFX was again included in the long standing sustainability benchmark indices being the DJSI suite of region-specific indices and the FTSE4Good Index, which the Group has been a part of since 2001 and 2004 respectively.

Summary and outlook

Mr McNaughton said: “We remain focused on optimising our centres’ productivity through our intensive asset management approach, together with the successful delivery of the early stages of the Chadstone redevelopment, while continuing to masterplan other development projects across the portfolio. From a balance sheet perspective we have turned our attention to FY16 debt expiries, and at a corporate level we look forward to the delivery of our new corporate brand Novion Property Group.

“While we are cautious on the outlook for retail sales, we expect specialty store sales to steadily improve to 3% for the Direct Portfolio over FY15.”

CFX’s 2014 Annual General Meeting will be held at 11.00am on 31 October 2014 at Hilton Sydney, and the deadline to submit votes by proxy is 11.00am on 29 October 2014.

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About CFS Retail Property Trust Group (CFX)

CFX is one of Australia's leading retail property groups, with a fully integrated funds and asset management platform, and \$14.4 billion in retail assets under management. Listed on the Australian Securities Exchange, CFX holds interests in 29 directly-owned retail assets across Australia, manages 19 assets on behalf of strategic partners (10 of which are co-owned with CFX) and has over 17,000 investors across 17 countries. On 29 September 2014, CFX announced it will change its name to Novion Property Group (ASX:NVN) with effect from 3 November 2014. For more information, visit cfsgam.com.au/cfx



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Appendix 1 – Retail sales

Total portfolio sales – by store type (MAT sales)

Retail sales by category for the 12 months to 30 September 2014 are detailed below:

Category	Comparable MAT ⁷		Actual MAT	
	30-Sep-14 (\$m)	Growth (%)	30-Sep-14 (\$m)	Growth (%)
Department stores	633.2	0.8	649.1	0.1
Discount department stores	546.4	(4.7)	697.5	(4.5)
Supermarkets	1,153.1	0.8	1,651.9	1.0
Mini majors	613.2	2.4	761.4	1.9
Retail specialty	2,476.0	2.7	2,860.8	2.9
Other retail ⁸	375.1	(4.0)	493.6	(1.9)
Shopping centre portfolio⁹	5,796.9	0.9	7,114.3	1.0
DFO retail outlet centres	470.5	8.7	705.2	23.2
Total portfolio	6,267.4	1.4	7,819.5	2.6

Shopping centre specialty store sales – by store type (MAT sales)

Retail specialty store sales by category for the 12 months to 30 September 2014 are detailed below:

Shopping centre portfolio Retail specialty category	Comparable MAT		Actual MAT	
	30-Sep-14 (\$m)	Growth (%)	30-Sep-14 (\$m)	Growth (%)
Food retail	160.1	0.6	210.2	3.3
Food catering	366.4	2.6	426.9	2.6
Apparel	843.9	0.2	929.7	0.3
Jewellery	202.0	2.9	226.9	2.0
Leisure	160.7	5.5	187.2	5.5
General retail ¹⁰	196.6	3.4	250.2	4.3
Homewares	269.6	4.3	284.9	3.8
Mobile phones	97.8	10.7	117.6	8.3
Retail services	178.9	6.7	227.2	7.2
Total retail specialty	2,476.0	2.7	2,860.8	2.9

⁷ Comparable centres refer to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison.

⁸ Other retail includes cinemas and sales reporting tenancies under 400 sqm including travel agents, auto accessories, Lotto and other entertainment and non-retail stores.

⁹ Excluding Myer Bourke Street, Emporium Melbourne, 15 Bowes Street, Woden and DFO retail outlet centres.

¹⁰ General retail includes giftware, pharmacy and cosmetics, pets, discount variety, florists and toys.

Total portfolio sales – by centre (MAT sales)

Property	30-Sep-14 (\$m)	30-Sep-13 (\$m)	Growth (%)	MAT/sqm (\$)
Bayside Shopping Centre	387.0	380.1	1.8	4,705
Broadmeadows Shopping Centre	275.1	292.6	(6.0)	5,057
Castle Plaza Shopping Centre	151.2	152.3	(0.7)	7,181
Chadstone Shopping Centre	1,423.3	1,390.8	2.3	9,532
Chatswood Chase Sydney	532.5	515.4	3.3	9,397
Clifford Gardens Shopping Centre	202.9	211.2	(3.9)	7,906
Corio Shopping Centre	164.3	162.2	1.3	6,611
Eastlands Shopping Centre	220.4	213.2	3.4	6,906
The Entertainment Quarter	42.2	48.7	(13.2)	1,868
Grand Plaza Shopping Centre	354.2	352.4	0.5	7,002
The Myer Centre Brisbane	353.8	357.2	(1.0)	5,791
Northgate Shopping Centre	128.5	127.7	0.7	7,305
Northland Shopping Centre	502.9	495.1	1.6	5,781
Post Office Square	22.5	24.5	(8.0)	16,042
QueensPlaza	267.4	263.3	1.6	7,560
Rockingham Shopping Centre	487.9	483.3	0.9	8,550
Runaway Bay Shopping Village	280.8	275.9	1.8	7,900
Comparable	5,796.9	5,745.9	0.9	7,118
Development impacted centres				
Altona Gate Shopping Centre	118.1	127.9	(7.7)	5,283
Brimbank Shopping Centre	176.1	160.4	9.8	5,284
Elizabeth Shopping Centre	348.8	351.5	(0.8)	5,725
Forest Hill Chase	286.4	273.8	4.6	5,378
Lake Haven Shopping Centre	253.5	266.2	(4.7)	8,018
Roxburgh Park Shopping Centre	134.5	119.8	12.3	6,541
Actual (total shopping centre portfolio)	7,114.3	7,045.4	1.0	6,864

Property	30-Sep-14 (\$m)	30-Sep-13 (\$m)	Growth (%)	MAT/sqm (\$)
DFO Essendon ¹¹	148.0	144.0	2.8	7,652
DFO Moorabbin	120.1	113.8	5.5	5,203
DFO South Wharf ¹¹	202.4	175.2	15.5	6,897
Comparable	470.5	433.0	8.7	6,556
Development impacted centres				
DFO Homebush	234.7	139.3	68.5	9,388
Actual (total DFO retail outlet centre portfolio)	705.2	572.3	23.2	7,288

¹¹ Excluding Homemaker Hub as not all tenancies report sales.

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Specialty store sales – by centre (MAT sales)

Property	30-Sep-14 (\$m)	30-Sep-13 (\$m)	Growth (%)	MAT/sqm (\$)
Bayside Shopping Centre	153.7	148.3	3.7	6,764
Broadmeadows Shopping Centre	91.3	93.8	(2.7)	6,193
Castle Plaza Shopping Centre	42.3	42.8	(1.3)	8,721
Chadstone Shopping Centre	796.5	767.3	3.8	15,229
Chatswood Chase Sydney	277.2	265.9	4.2	12,787
Clifford Gardens Shopping Centre	68.2	67.1	1.6	9,569
Corio Shopping Centre	43.4	43.2	0.5	5,584
Eastlands Shopping Centre	62.6	64.9	(3.6)	7,120
The Entertainment Quarter	14.8	17.4	(15.1)	4,674
Grand Plaza Shopping Centre	108.6	103.9	4.5	9,113
The Myer Centre Brisbane	143.7	143.7	(0.1)	11,117
Northgate Shopping Centre	52.1	53.8	(3.2)	8,911
Northland Shopping Centre	229.8	224.9	2.2	8,117
Post Office Square	16.6	17.8	(6.2)	12,759
QueensPlaza	137.0	128.0	7.0	19,382
Rockingham Shopping Centre	168.1	161.0	4.4	9,289
Runaway Bay Shopping Village	70.2	67.4	4.1	8,371
Comparable	2,476.0	2,411.2	2.7	10,447
Development impacted centres				
Altona Gate Shopping Centre	40.1	41.6	(3.8)	5,889
Brimbank Shopping Centre	42.8	37.2	15.1	5,541
Elizabeth Shopping Centre	122.2	121.3	0.7	7,054
Forest Hill Chase	81.6	77.8	4.9	6,154
Lake Haven Shopping Centre	70.5	71.0	(0.8)	8,934
Roxburgh Park Shopping Centre	27.7	21.0	31.9	5,021
Actual (total shopping centre portfolio)	2,860.8	2,781.2	2.9	9,681

Property	30-Sep-14 (\$m)	30-Sep-13 (\$m)	Growth (%)	MAT/sqm (\$)
DFO Essendon ¹²	138.9	136.1	2.0	8,013
DFO Moorabbin	104.0	99.1	5.0	5,659
DFO South Wharf ¹²	155.8	140.9	10.6	7,467
Comparable	398.8	376.2	6.0	7,047
Development impacted centres				
DFO Homebush	186.6	116.4	60.3	12,449
Actual (total DFO retail outlet centre portfolio)	585.4	492.6	18.8	8,178

¹² Excluding Homemaker Hub as not all tenancies report sales.