



Global Asset Management

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Manager of CFS Retail Property Trust

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CFS RETAIL PROPERTY TRUST (CFX)

Retail outlet centres acquisition and equity raising

Colonial First State Property Retail Pty Limited, Manager (the 'Manager') of CFS Retail Property Trust ('CFX' or the 'Trust'), today announced that the Trust has agreed to acquire four retail outlet centres which are currently part of Austexx Proprietary Limited's ('Austexx') Direct Factory Outlet ('DFO') portfolio ('DFO centres'). The Manager believes these centres offer strong fundamentals and will support the creation of long-term unitholder value.

CFX will acquire the following four DFO centres:

- DFO Homebush, Homebush, New South Wales
- DFO Essendon and Homemaker Hub, Essendon, Victoria
- DFO Moorabbin, Moorabbin, Victoria, and
- DFO South Wharf and Homemaker Hub, Melbourne, Victoria (50% interest).

The DFO centres will be acquired at a cost of \$498 million (excluding transaction costs) which reflects an 8.26% weighted average capitalisation rate. Funding will be sourced through a fully underwritten \$540 million institutional placement. In addition a Unit Purchase Plan ('UPP') will be offered to eligible Australian and New Zealand Unitholders subsequent to the institutional placement.

Michael Gorman, Fund Manager of CFX said: "This is a unique opportunity to enter an increasingly important, yet immature retail format and sub-sector in Australia. We are pleased to have been able to negotiate this acquisition, while retaining a strong balance sheet."

"The DFO centres reinforce the Trust's position as one of Australia's leading retail real estate owners and are complementary to CFX's existing strategy and portfolio."

Darren Steinberg, Head of Property said: "This is a significant milestone for CFX. It provides investors with exposure to a retail format which management expects, based on overseas experience, can achieve sales growth in excess of regional and sub-regional shopping centres over the medium term."

"The DFO centres have been acquired at attractive pricing relative to recent comparable transactions and, in line with our acquisition of Northgate Shopping Centre last year, this acquisition provides an opportunity to apply our intensive asset management capability to enhance long-term returns to unitholders."

Acquisition overview and rationale

Retail outlet centres offer a retail mix dominated by specialty tenants, often with mini-majors as anchor tenants. The emphasis is on quality brands, usually selling stock from the prior season, offered at discount prices.

Retail outlet centres are recognised as a growing retail sub-sector and are considered a "destination shopping experience".

The four DFO centres chosen from the broader DFO portfolio were selected because they met the Trust's investment criteria and offer the strongest fundamentals:

- Strong trading centres with high levels of brand recognition across large catchment areas
- Strategically located with close proximity to major arterial roads providing ease of access
- Opportunity to draw on CFX's existing strong tenant relationships to optimise the retail mix.

All four assets are being acquired unencumbered with no residual liabilities to the vendor, Austexx, or to its lenders and all will be expertly managed by Colonial First State Global Asset Management.

“There are significant opportunities to broaden the tenant base, enhance the product offering and extract long-term value by leveraging our leasing, development and marketing expertise,” Mr Gorman said.

As part of the acquisition, CFX will own the Australian ‘DFO’ and ‘Homemaker Hub’ brand names. CFX plans to use these brands in VIC, NSW, WA and SA providing the ability to selectively expand CFX’s presence in these markets in the future. CFX will provide Austexx with an exclusive license to use the brands in QLD, TAS and ACT.

CFX will leverage the expertise of Colonial First State Global Asset Management applying its intensive asset management approach to reduce vacancies, remix tenants where appropriate, increase tenant interaction, undertake targeted marketing and enhance lease structures across the DFO centres to drive growth and enhance value.

The acquisition of DFO South Wharf and Homemaker Hub (‘South Wharf’) remains conditional upon CFX’s joint venture partner, The Plenary Group (‘Plenary’), securing financing to increase its interest in South Wharf from 25% to 50%, and the execution of non-compete agreements by key Austexx personnel. In the event that these conditions are not met, the acquisition of South Wharf will not proceed and CFX intends to use the capital raised for the asset (and associated acquisition costs) to initially retire debt and may choose to redeploy this capital in the future.

Impact on CFX

The acquisition is expected to be neutral to EPU¹/DPU² in FY11 and accretive from FY12 onwards. The FY11 distribution³ per unit guidance range of 12.60 – 12.70 cents per unit is maintained.

The key portfolio metrics pre and post the acquisition include:

Key portfolio metrics	Pre acquisition at 30 June 2010	Acquisition of DFO centres	Pro forma for acquisition
Number of assets	25	4	29
Value of investment properties (\$m)	7,577	528 ⁴	8,105
Number of tenants	3,634	547	4,181
Retail sales ⁵ (\$m)	6,628	540	7,168
Occupancy (%)	99.8	96.6	99.4
Specialty occupancy costs ⁶ (%)	15.6	8.6 ⁷	15.1 ⁷
Weighted average capitalisation rate (%)	6.57	8.26	6.68

Post the acquisition of the DFO centres, the Trust’s exposure to retail outlet centres by value will be 6.6%, with 80.9% of the portfolio comprising super-regional and regional shopping centres⁸.

The Trust will retain its strong balance sheet post the acquisition with gearing⁹ expected to reduce to 27.6% which remains within CFX’s targeted gearing range of 25 – 35%. The Trust’s NTA is expected to reduce marginally by 2 cents to \$2.00 per unit as a consequence of the acquisition.

Acquisition funding

The acquisition of the DFO centres will be funded by a fully underwritten \$540 million institutional placement. Units will be issued at a fixed price of \$1.86 per new unit, which represents a 4.6% discount to the closing price on 21 September 2010 or a 4.3% discount to the 5-day volume weighted average price and a 7.0% discount to pro forma NTA. Units will rank equally with existing ordinary units and be fully entitled to the distribution for the six months ending 31 December 2010.

A Unit Purchase Plan (UPP) will be offered to eligible Australian and New Zealand Unitholders subsequent to the institutional placement, and is expected to raise approximately \$5-\$10 million with the proceeds used to retire debt. Units to be issued under the UPP will be issued at the same price as the units offered under the institutional placement and will rank equally with existing ordinary units being fully entitled to the distribution for the six months ending 31 December 2010. Further details of the UPP, for which the record date is Friday 1 October 2010, will be despatched to all existing eligible Unitholders in Australia and New Zealand on Thursday 7 October 2010.

1. Earnings per unit (EPU) is not as defined in Australian equivalents to International Financial Reporting Standards (AIFRS). EPU for the purposes of this announcement is defined as distributable income divided by units on issue. Distributable income is profit before fair value adjustments to investment properties, associates, derivatives and performance fees, non-cash convertible notes interest expense and straightlining of fixed rental increases, and includes adjustments for project and other items.

2. Distribution per unit.

3. Assuming performance fee is payable for the full 12-month period, other than in respect of the base management and performance fees relating to the CFX DFO centres which the Responsible Entity of CFX has waived for FY11. Further assumes there is no unforeseen material deterioration to existing economic conditions.

4. Including capitalised transaction costs and excluding capital raising costs.

5. For the year ended 30 June 2010.

6. For comparable centres and refers to those centres that are not undergoing or have not undergone substantial redevelopment in the past 24 months.

7. Excluding DFO South Wharf and Homemaker Hub (as the centre has been open for less than 12 months).

8. As defined by the Property Council of Australia.

9. Proportion of total borrowings to total assets expressed as a percentage. For this calculation, total assets exclude the fair value of derivative financial instruments, and borrowings exclude the fair value of cross currency swaps and deferred borrowing costs.

This release does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The units to be issued in the institutional placement and the UPP referred to above under "Acquisition funding" have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act and any other applicable securities laws.

Caution regarding forward-looking statements

This release contains certain "forward-looking statements" regarding future events and the future financial performance of CFX, including statements regarding forecast and target yields and distributions and anticipated gearing. Any forward-looking statement contained in this release is subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of CFX that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements are based on information available to CFX as of the date of this release. CFX undertakes no obligation to update these forward-looking statements to reflect any future events or circumstances.

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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 regional and sub-regional shopping centres across Australia. The Trust listed on the Australian Securities Exchange in April 1994, under the name Gandel Retail Trust. Its stock market trading code is CFX.