



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Commonwealth Property Office

Business Description

Commonwealth Property Office Fund (CPA) holds a high quality portfolio of office buildings in capital cities throughout Australia, valued at around \$3.6bn. Over 60% of the portfolio is located in Sydney. CPA is managed by subsidiaries of the Commonwealth Bank.

Strategy Analysis

CPA focuses on investing in prime commercial office assets in growth markets throughout Australia. It aims to increase the value of its portfolio through a development and refurbishment program, with the possibility of opportunistic acquisitions. CPA expects key markets to stabilise and improve over coming years. A high proportion of leases with fixed reviews support rental growth with upside from improving occupancy. CPA increased exposure to the Sydney office market to 60% over the last few years due to that market's good fundamentals. The global financial crisis hurt Sydney office demand but limited new supply means that a resurgence of demand should see it rebound strongly. CPA has development projects in Sydney, Melbourne and Perth. Recent sales and equity issues have the trust in good financial health, allowing it to explore growth options if desired. Commonwealth Property Office Fund reported net loss of \$298.56m for the half-year ended 31 December 2008, compared to a net profit of \$281.4m for the pcp. The difference is primarily due to the net loss in the property and derivatives revaluations. This included a net revaluation reduction on investment properties and associates of \$203.3m and a net loss on the fair value of derivatives of \$128.2m. Revenue from ordinary activities were \$143.18m, down 61.1% from the same period last year. Diluted EPS was (18.28) cents compared to 17.43 cents last year. Net operating cash flow was \$66.32m compared to \$73.69m last year. The interim dividend declared was 4.60 cents in line with last year.

28 July 2010

Recommendation

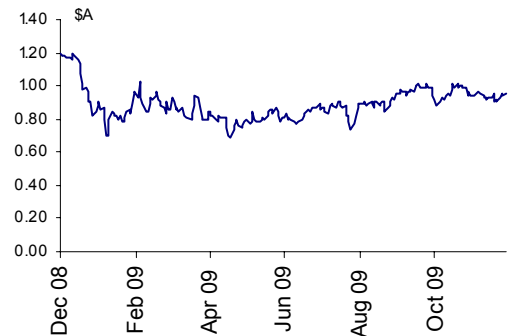
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: CPA
Stock price: \$0.96
Market cap: \$1,932m

Y/E 30/06/2010	2010e	2011e	2012e	2013e
Reported e \$m	96.4	139.7	141.3	143.5
Adjusted e \$m	132.3	139.7	141.3	143.5
EPS adjusted ¢	6.8	6.9	7.0	7.1
EPS growth %	-24.1	1.4	1.2	1.5
PE x	14.0	13.9	13.7	13.5
PE relative x	1.0	1.0	1.1	1.1
DPS ¢	5.6	5.3	5.4	5.5
Yield %	5.8	5.5	5.7	5.7
Franking %	0.0	0.0	0.0	

Share Price



Source: ASX and Company accounts

Segment Performance

Property Portfolio	(%)	Annual Shareholders' Return
Property Portfolio		13.0%
Others	28.3	3 year -11.0%
259 George Street, Sydney	13.3	5 year -0.4%
385 Bourke Street, Melbourne	10.9	10 year 7.0%
60 Castlereagh Street, Sydney	9.0	
175 Pitt Street, Sydney	6.9	Dividend Reinvestment Plan No
2 Southbank Boulevard, Melbourne	6.2	
56 Pitt Street, Sydney	6.2	Shareholder Discounts No
11 Waymouth Street, Adelaide	5.8	
10 Shelley Street, Sydney	5.3	
150 George Street, Parramatta	4.0	
197 St Georges Terrace, Perth	4.0	
Total	99.9	
Property Types		
Industrial	100.0	
Total	100.0	

Company contact details:

Commonwealth Property Office Fund
Ground Fl, Tower 1, 201 Sussex St
Sydney NSW 2000
Tel: (02) 9118 7200

www.colonialfirststate.com.au/cpof

If you have any queries regarding this Research information or with any aspect of your legalsuper account please call legalsuper on 1800 060 312 (freecall) or email mail@legalsuper.com.au

Disclosure: In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that The Macquarie Group acted as Joint Lead Manager and Underwriter to Commonwealth Property Office Fund in respect of an institutional placement to raise \$192(AUD) million as announced 22 January 2009. Within the last 12 months, Macquarie Group has received compensation for investment advisory services from Commonwealth Property Office Fund.

Disclaimer: This report is prepared for general circulation and does not have regard to the particular circumstances or needs of any specific person who may read it. The information contained herein is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. No part of this report is to be construed as a solicitation to buy or sell any security. We do not accept any liability, whether direct or indirect arising from the use of information contained in this report. International investors are reminded of the risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Any transaction by US persons in any security discussed in this report must be carried out through Macquarie Equities (USA) Inc which has distributed this report in the US. This report is issued in the UK by Macquarie Equities Limited, which is a member of the Securities and Futures Authority. The investments and investment services the subject of this report are not available to private customers in the UK. The material in this publication is copyright and may not be reproduced without consent of the copyright owner.