



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Commonwealth Property Office

Business Description

Commonwealth Property Office Fund (CPA) is an office sector-specific A-REIT which invests in central business districts and major suburban markets in Australia.

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 Sydney and Melbourne over the last few years due to good medium-term 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, Brisbane 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 NPAT up 73% to \$197.7m for the year ended 30 June 2011. The Trust generated a profit, reflecting a general improvement in underlying office market fundamentals, and the execution of successful capital management and strategic asset initiatives. Revenues from ordinary activities were \$373.2m, up 26% from last year. Diluted EPS was 8.70 cents compared to 5.78 cents last year. Net operating cash flow was \$167.2m compared to \$143.9m last year. The final dividend declared was 2.75 cents, taking the full year dividend to 5.5 cents compared with 5.55 cents last year. The Fund's focus for the year ahead will remain on reducing existing vacancies and upcoming expiries within the portfolio, and securing tenant pre-commitments for key developments as the Fund takes advantage of the expected stronger office market fundamentals.

27 January 2012

Recommendation

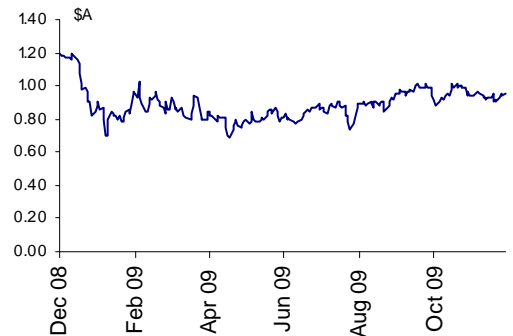
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: CPA
Stock price: \$0.98
Market cap: \$2,409m

	Y/E 30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	267.6	77.3	75.1	69.9
Adjusted e	\$m	172.7	181.7	182.6	180.5
EPS adjusted	¢	7.2	7.6	7.6	7.5
EPS growth	%	4.3	6.4	0.3	-1.3
PE	x	13.7	12.9	12.8	13.0
PE relative	x	1.1	1.1	1.1	1.2
DPS	¢	6.4	6.1	6.1	6.0
Yield	%	6.5	6.2	6.2	6.1
Franking	%	0.0	0.0	0.0	

Share Price



Source: ASX and Company accounts

Segment Performance

Property Portfolio	Annual Shareholders' Return	
	(%)	
	1 year	15.0%
259 George Street, Sydney	9.6	3 year 10.0%
385 Bourke Street, Melbourne	8.6	5 year -1.0%
QV Building, 180-222 Lonsdale Street, Melbourne	8.0	10 year 5.0%
60 Castlereagh Street, Sydney	6.8	
AXA Headquarters, 750 Collins Street, Melbourne	6.3	Dividend Reinvestment Plan No
175 Pitt Street, Sydney	6.2	
2 Southbank Boulevard, Melbourne	5.0	Shareholder Discounts No
56 Pitt Street, Sydney	4.4	
11 Waymouth Street, Adelaide	4.2	
10 Shelley Street, Sydney	3.8	
Other	37.0	
Total	99.9	
Property Types		
Office	54.9	
Other	45.1	
Total	100.0	

Company contact details:

Commonwealth Property Office Fund
Ground Floor, Tower 1, 201 Sussex St
Sydney NSW 2000
Tel: +61 2 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 is acting as Joint Bookrunner and Joint Underwriter to Commonwealth Property Office Fund in respect of the capital raising as announced on 11 November 2010. Macquarie Bank Limited makes a market in the securities in respect of Commonwealth Property Office Fund. Macquarie and its affiliates collectively and beneficially own or control 1% or more of any class of Commonwealth Property Office Fund's equity securities.

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