



Centro 2008 Retail Property Briefing

Alan Hayden - Manager Direct Property Funds
Peter Turner - State Property Manager, NSW
Mitchell Brown - Corporate Marketing Manager

18 September 2007

Agenda

1. Centro Properties Group Overview
 - Alan Hayden
2. Evolving Retail Trends in Australia
 - Peter Turner
3. Evolving Retail Trends in the US
 - Mitchell Brown
4. Centro Direct Property Funds
 - Alan Hayden
5. Retail Outlook for 2008
 - Peter Turner
 - Mitchell Brown



Centro Properties Group Overview

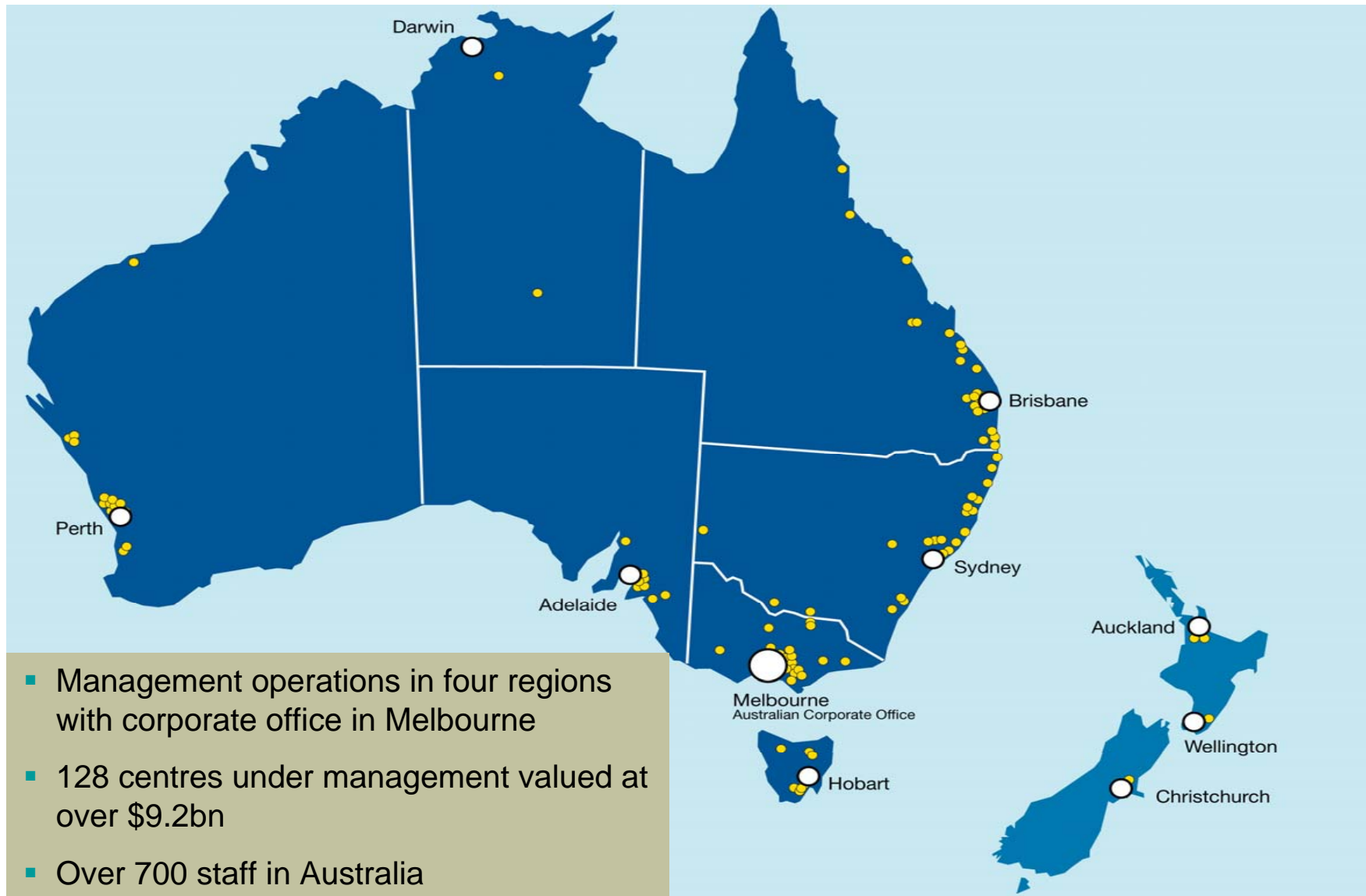
- Alan Hayden



- Retail Property Specialist
- ASX Top 50 Company, with Market Cap of A\$7.0bn
- Best performing Australian REIT over last 10 years
- 810 shopping centres valued at A\$26.6bn
 - 2nd Largest Retail Property Owner/Manager in Australia
 - 5th Largest Retail Property Owner/Manager in US
- Co-investment philosophy



128 Australian Assets Under Management



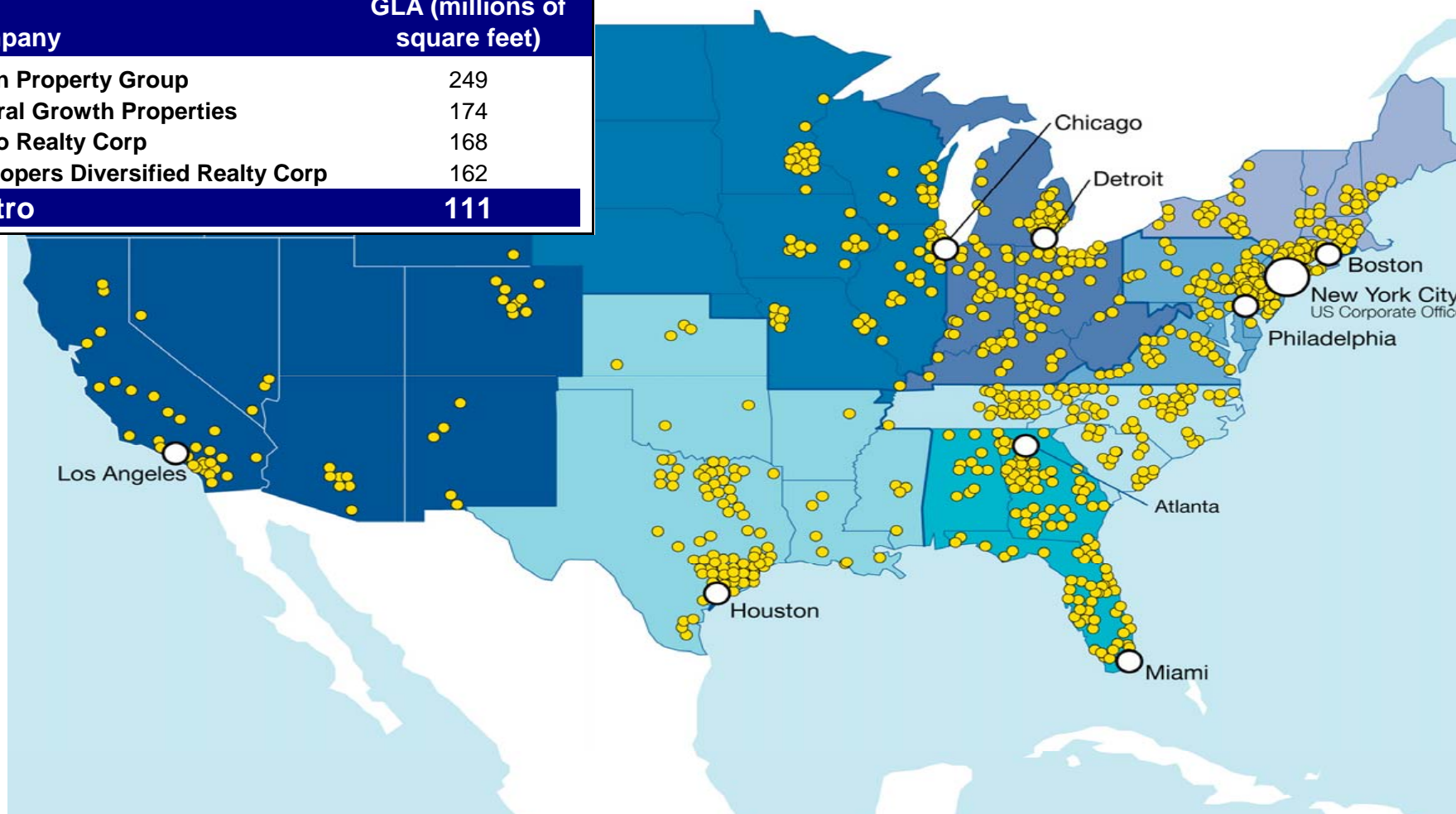
US National Platform – 682 Properties



GLA (millions of square feet)

Rank Company

1	Simon Property Group	249
2	General Growth Properties	174
3	Kimco Realty Corp	168
4	Developers Diversified Realty Corp	162
5	Centro	111

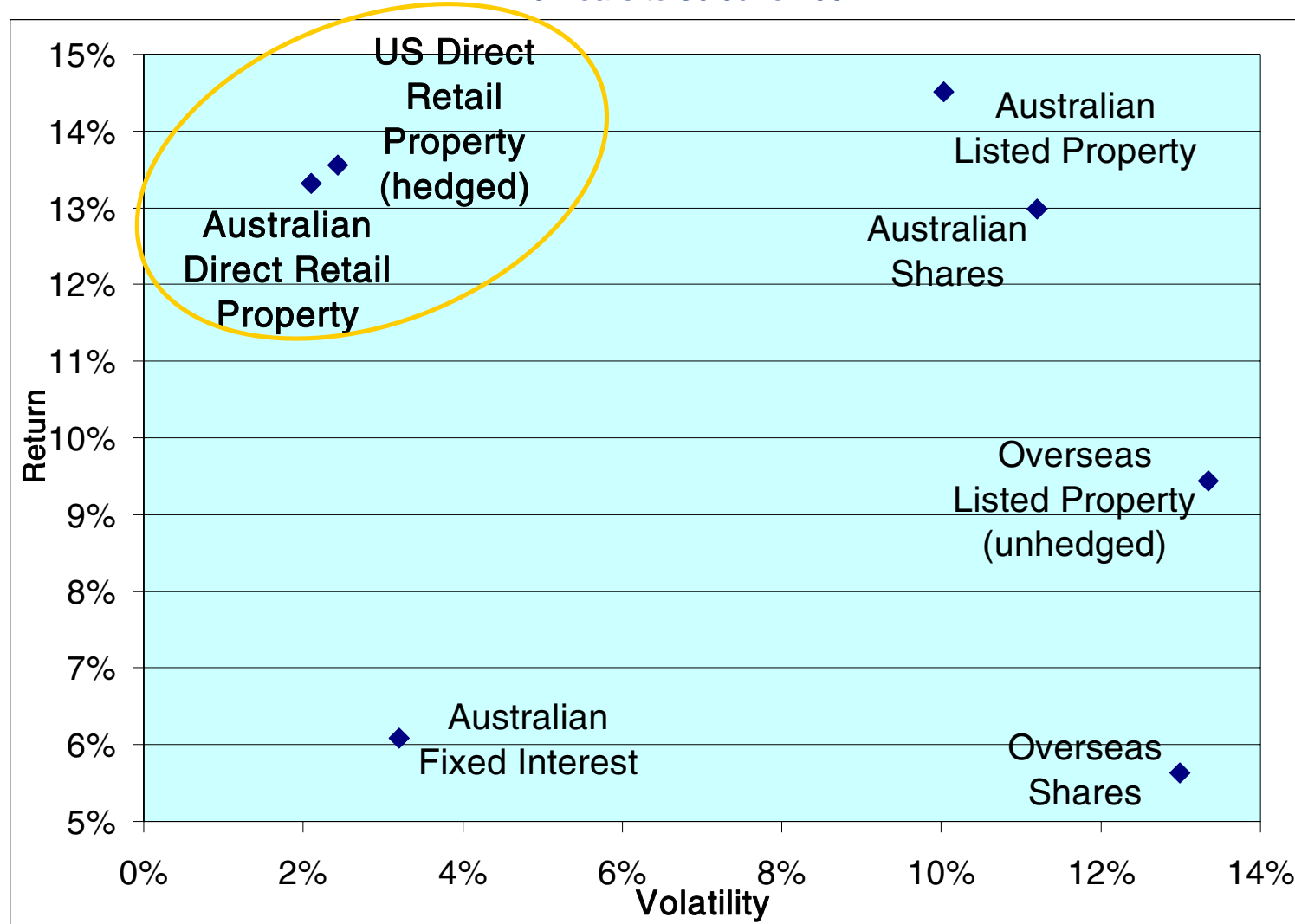


- Management operations offices in eight regions with corporate office in New York
- 682 centres under management valued at over A\$17.4bn

Direct Retail Property – High Returns, Low Risk

Australian and US Retail vs Major Asset Classes

10 Years to 30 June 2007



Source: Atchison Consultants



Evolving Retail Trends in Australia

- Peter Turner

Strong Growth From Majors

- **Strong Supermarket Sector** – Majors aim to open 20-30 stores each year. Woolworths the dominant player. Coles ownership now resolved through Wesfarmers offer.
- **Growth of International Retailers** – More Aldi stores in centres contributing to market growth and complements full-line supermarkets
- **Department Stores Rediscover Their Niche** – David Jones and Myer experiencing strong sales and profits.



Emerging New Sectors

- **Strong Discount Department Store Growth** – Big W, Target and Kmart major players. Capturing market share from the specialties.
- **Emergence of Category Killers** – Includes JB Hi-Fi, Harvey Norman, Priceline. Sales growth of over 12% last 4 years.
- **Consolidation of Retailers** – 10 companies now control 55 major retail brands. Centro has strong strategic relationships with these groups.



Consolidation of Retailers





Evolving Retail Trends in the US

- Mitchell Brown

Supermarkets Looking to Maintain & Increase Market Share



- **Consolidation** – 36 supermarket mergers and acquisitions in 2006 (4x the activity in 2005)
- **Increase in Niche Grocers** – Focusing on specific demographics (Hispanic or Italian markets), others focussed on specific concepts (organic foods)
- **Focus on Differentiation and Improving In-Store Experience** – Emphasis on fresh foods, cleanliness, community involvement, specials and customer services such as baking and dry cleaning

Retailers Creating More Flexible Formats



- **Trend To Smaller Store Formats** – To control costs, cope with Wall Street demands for growth and efficiency and appease community opposition.
 - Wal-Mart, Bed Bath & Beyond, Publix and Home Depot reducing store footprints
 - Especially evident among consumer electronic stores such as Best Buy and Circuit City
- **Specialty Shops Also Going Smaller** – Blockbuster, FedEx
- **Wal-Mart, Target and Home Depot** – Opening multi-level stores
- **Mall Anchors** – Opening open-air locations

Expanding Lifestyle Centers



- **Continued Growth** – 39 new projects in the pipeline through 2009
- **Lifestyle** - Caters to “Lifestyle Pursuits” of consumers
- **Outdoor Orientation** - Traditional mall-based merchants gravitating toward outdoor settings
- **Not Just Retail** – Includes cinemas, cafes & restaurants, music venues, etc.



Centro US Adding Value – Strong Retailer Relationships Create Investment Opportunities



- **Local Management** – Develops close retailer relationships and provides invaluable market knowledge.
- **Redevelopment** – Leads to more productive shopping environments and increased traffic.
- **New Development** – Important avenue to serve retailers' growth needs.



Centro US Adding Value – Offering Much More Than Just square feet



- **National Platform. Local Knowledge –**
Network of eight regional offices and multiple local offices place associates close to properties and regional and local tenants
- **Moving Retailers Across Regions –**
Retailers can enter multiple locations across a broad geography with one simple lease
- **Helping Retailers Enter New Markets –**
Utilize leasing capabilities to enable retailers entry into new markets
- **Helping Retailers Launch New Concepts –**
Facilitate opening of store prototypes





Centro Direct Property Funds

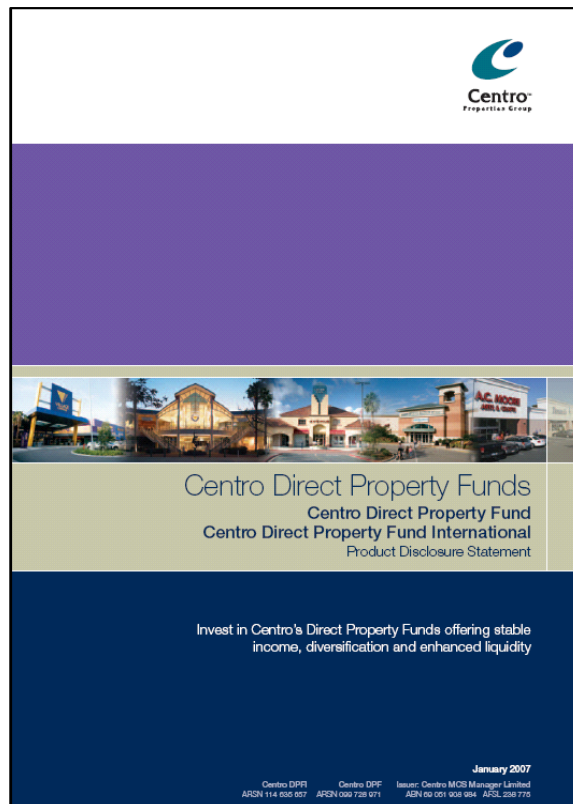
- Alan Hayden



Attractive Property Investment Opportunities



Centro Direct Property Funds



- ✓ Strong performance track record
- ✓ Direct retail property focus
- ✓ Tax advantaged returns
- ✓ Well diversified (hundreds of properties)
- ✓ Low volatility / risk profile
- ✓ High research ratings
- ✓ Enhanced liquidity / daily pricing
- ✓ Low entry costs
- ✓ Experienced management team
- ✓ Centro co-investment

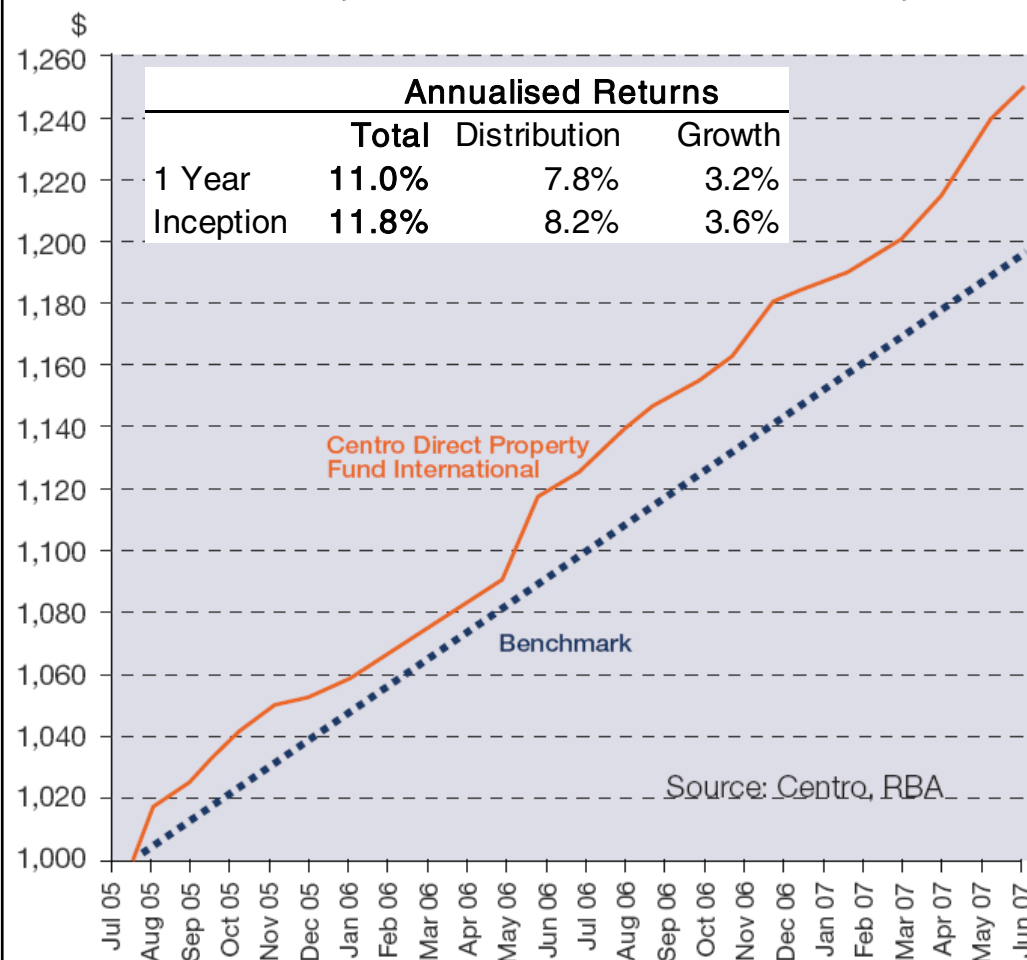
Direct Property Fund International



Total Fund Returns

(Since Inception August 2005 – June 2007)

The Fund has outperformed its benchmark since inception.



Fund Size	\$1.95 billion
Minimum Investment	\$25,000 (no minimum for platform investors)
Distribution Payments	Quarterly
Number of underlying properties	290+
Property Locations	United States
Enhanced Liquidity	With Centro \$50 million guarantee
Unit Pricing	Daily, available on website



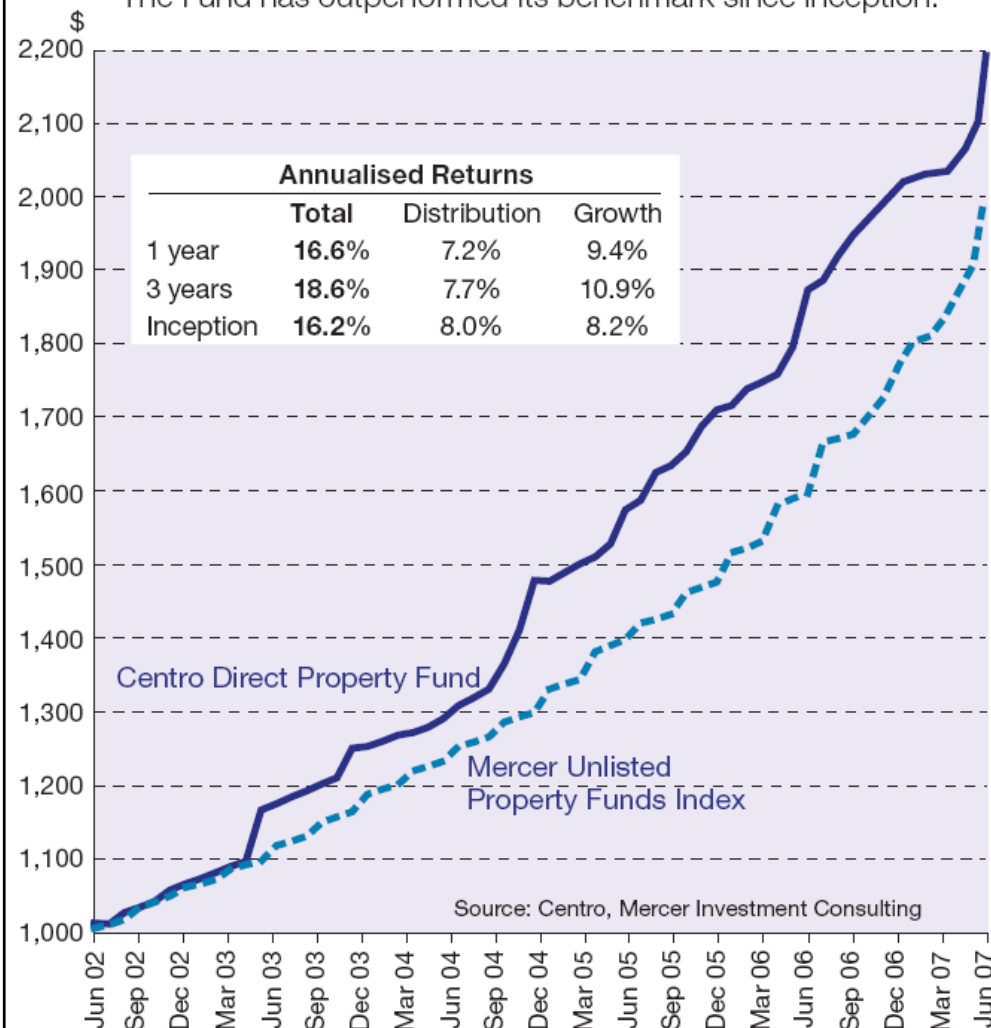
Centro Direct Property Fund



Total Fund Returns

(Since Inception July 2002 – June 2007)

The Fund has outperformed its benchmark since inception.



Fund Size	\$2.43 billion
Minimum Investment	\$25,000 (no minimum for platform investors)
Distribution Payments	Quarterly
Number of underlying properties	790+
Property Locations	Mainly Australia, some in US and NZ
Enhanced Liquidity	With Centro \$50 million guarantee
Unit Pricing	Daily, available on website



Sub Prime Instability

– US Retail Well Positioned



"As a defensive asset class, we believe retail real estate offers an attractive investment opportunity for the current uncertain macro-environment. With their combination of long-term leases (8-10 yrs) and stable, investment grade tenants, retail REITs should be well positioned to endure the continuing capital markets volatility"

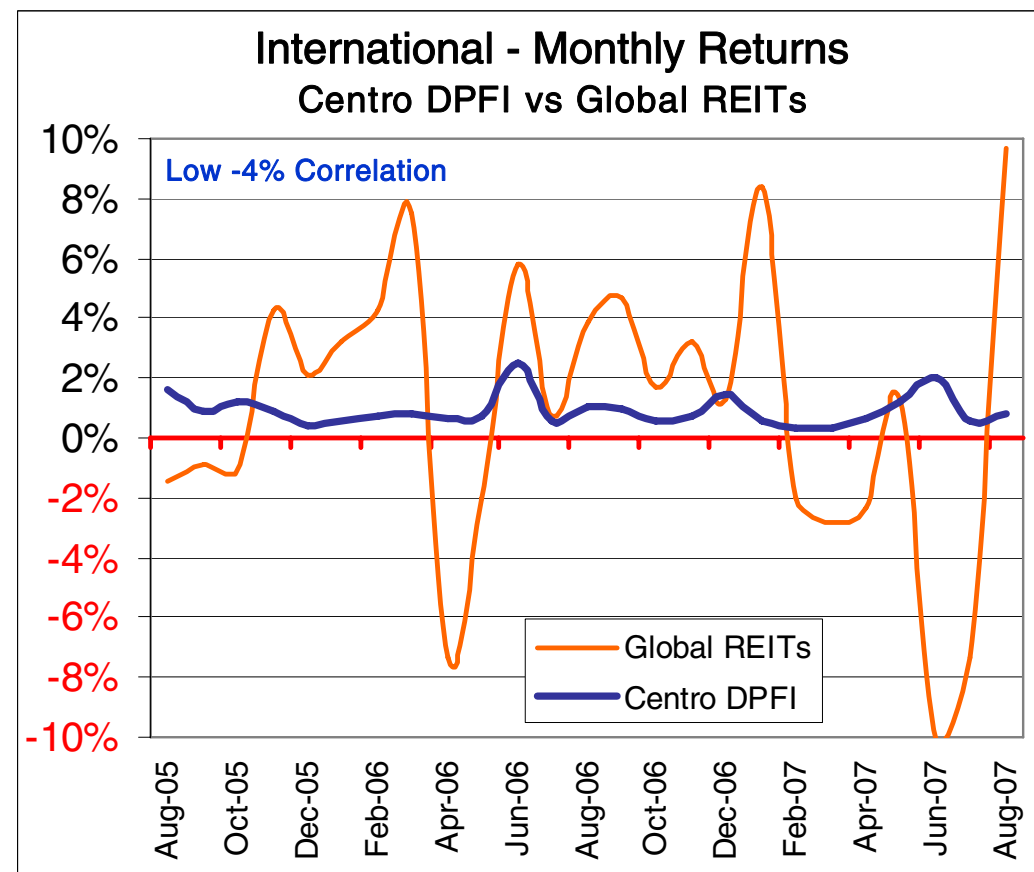
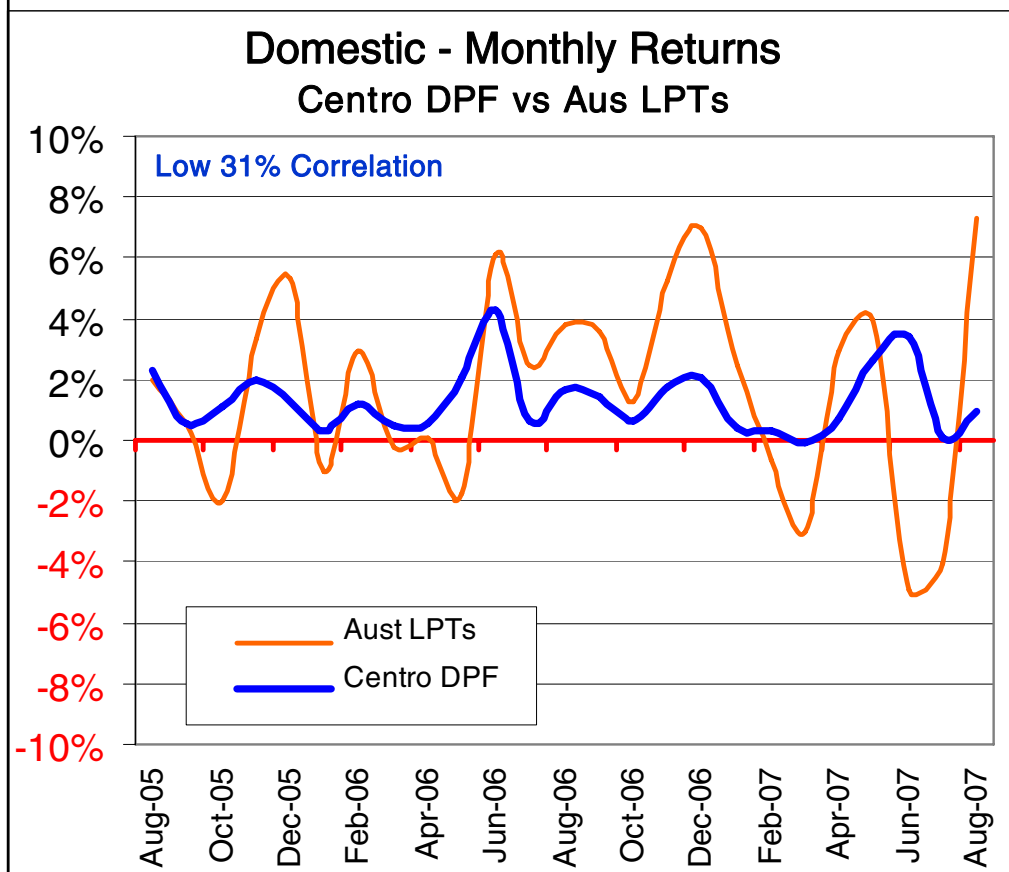
Goldman Sachs Report on US Real Estate, 9 Sept 2007

Centro's US Portfolio Well Placed

- **Gearing** – Borrowings in underlying investment funds through traditional bank lending sources
- **Hedging** – Conservative long term interest rate hedges in place
- **Long Lease Expiry Profile** – Thousands of retailers on long term leases
- **Non Discretionary Nature** – High weighting towards food and convenience based centres, focusing on "everyday" shopping needs

Centro Direct Property Funds vs Listed

Enhancing Portfolio Safety



- **Centro's funds adding safety** – lower volatility, low correlation and reduced downside risk

Source: Centro, S&P



Retail Outlook for 2008

Strong Australian Retail Fundamentals



- **Solid Retailer Demand**
 - High occupancy levels
 - Low incentives
 - Value adding developments
 - Rent growth
- **Consumer Spending** - 4% p.a. real growth in consumer spending, from solid disposable income growth on back of strong economy *
- **Rent Growth** - Strong rent growth to continue, from solid economy, strong demand for space, low vacancies and high retailer profit margins *
- **Shopping Centre Growth** - Continued rise of shopping centres as 'one stop shopping' destinations *



* Source: BIS Shrapnel July 2007

BIS Shrapnel Forecasts Solid Retail Returns Ahead



- **Strong Retail Return Forecast** - Retail property has highest 5 year property return forecast (2007 – 2012)
 - Retail 10.1% – 10.6%*
 - Office 7.8%
 - Industrial 6.3%
- **Solid Retail Performance** - Retail “will maintain its favoured characteristics of relatively solid performance with low volatility”
- **Robust investor demand** - Ageing population seeking stable asset class

* All property returns are ungeared. Centro funds include gearing which has potential to increase returns.

Credit market dislocation will create some short term economic pressure

BUT

Healthy economic fundamentals, alternative liquidity pools, low corporate refinancing risk will create a longer-term stabilising effect

- Recent US market fluctuations should have minimal impact
- Continuation of wealth effect on consumer spending
- Healthy GDP growth of 3.4% in Q2 2007
- US consumer spending highest in the world
- Store growth at 4%-10% p.a.
- Bankruptcies & store closings low by historical standards

Stable US Retail Outlook

- Value adding retail developments
 - Urban redevelopments gather momentum providing opportunities for unlocking property value over the next ten or more years
- Continued growth of food based retailers
- Success of convenience based retail property
 - Major channels for US consumer spending expected to continue to be neighbourhood, community and power centres



- **Centro** – Retail property specialist. Excellent track record. Co-investment philosophy aligns interest
- **Retail Trends** – Presenting value adding opportunities to retail landlords and investors
- **Positive Retail Outlook** – Driven by strong employment, consumer confidence and retailer expansion activities
- **Centro Direct Property Funds** – Well placed for continued solid tax advantaged returns. Non-discretionary spending focus adds stability.

Questions?

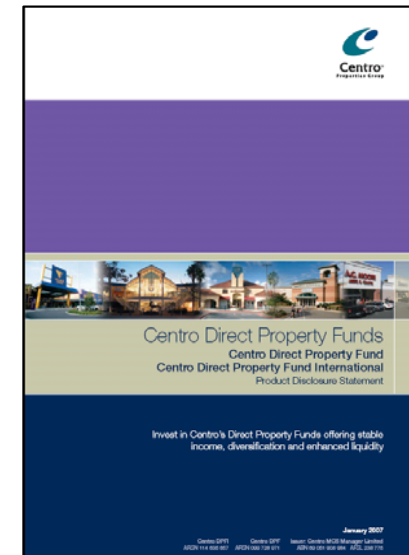


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Important Note

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DPFI Fund Portfolio (as at 30 June 07)



Fund Assets as at 30 June 2007

Investment	\$ Million	% Portfolio
Centro Retail Investment Trust	730.3	37.3%
Centro America Fund	296.2	15.2%
Centro MCS 38	202.8	10.4%
Centro MCS 39	184.7	9.4%
Centro MCS 40	181.1	9.3%
Centro MCS 32	115.5	5.9%
Centro MCS 36	94.0	4.8%
Centro MCS 35	35.8	1.8%
Total Unlisted Property Investments	1,840.4	94.1%
Cash & Other Assets	66.8	3.4%
Centro Retail Trust (listed)	44.9	2.3%
Outsourced LPT Portfolio	3.8	0.2%
Total Assets	1,955.9	100.0%

- Strong diversification across Centro international direct property funds and syndicates
- LPT exposure through “CER” and GSJBW portfolio

DPF Fund Portfolio (as at 30 June 07)



INVESTMENT	% OF PORTFOLIO
Direct Property Syndicates/Funds	
Centro Australia Wholesale Fund	35.7%
Centro DPF International	21.5%
Centro Retail Investment Trust	11.0%
Centro MCS 28*	3.6%
Centro MCS 33*	2.2%
Centro MCS 21	2.0%
Centro MCS 37*	1.9%
Centro MCS 03	1.5%
Centro MCS 25	1.2%
Non-Centro Direct Property Funds	0.9%
Other Centro MCS Property Funds	10.3%
Total Direct Property Syndicates / Funds	91.8%
Listed Property	
Centro Retail Trust	2.9%
Centro Properties Group	1.8%
Outsourced LPT Portfolio	0.9%
Total Property	97.4%
Other Investments	
Cash & Money Market Securities	0.9%
Other Assets	1.7%
TOTAL	100.0%

- Strong diversification across Centro direct property funds and syndicates
- LPT exposure through “CNP”, “CER” and GSJBW portfolio

* Includes Equity Notes