2 March 2011

Centro Direct Property Fund and Direct Property Fund International – impact of Centro's US assets sale and proposed amalgamation with other Centro managed funds

Centro US Assets Sale

As announced by Centro yesterday, following a competitive market process, Centro and several Centro managed funds have entered into a binding stock purchase agreement with BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. ("Blackstone") to sell all of their US assets and platform for an enterprise value of approximately US$9.4 billion. This agreement contains conditions customary for a transaction of this nature.

Further to that announcement, Centro MCS Manager Limited, the responsible entity of the Centro Direct Property Fund International (DPFI) and Centro Direct Property Fund (DPF) wishes to advise as follows:

Implications for Centro Direct Property Fund International

- Virtually all of DPFI's current investments are in Centro managed funds with exposure to the US assets which will be sold to Blackstone as advised in the Centro announcement. Upon settlement of this sale, the underlying wholesale funds and syndicates into which DPFI is invested are expected to be fully liquidated. The DPFI would then distribute the net cash proceeds to all investors and wind up the Fund;

- The Blackstone sale is expected to close around the middle of 2011. DPFI investors should anticipate receiving the proceeds from their investment in the second half of 2011;

- It should be noted that the net proceeds to be received by the DPFI from the sale process described may be impacted by exchange rate movements and transaction costs. However, DPFI is anticipating that the investment portfolio will be realised at close to current book values, as reflected in the current unit price of the fund, approximating to 18 cents per unit.

Proposed amalgamation of Centro managed funds

As has also been referred to in Centro's announcement of yesterday, DPF, as one of the Centro managed funds, has entered into discussions with Centro Retail Trust (CER) and other Australian managed funds with a view to amalgamating their respective portfolios to create a listed fund ("Amalgamated Fund") owning a retail property portfolio of high quality Australian regional and sub-regional shopping centres.

Implications for Centro Direct Property Fund

- The major portion (61%) of the DPF's assets is invested into Centro Australia Wholesale Fund and Centro Retail Investment Trust (CRIT), with around 30% invested into Centro MCS domestic syndicates. The discussions around aggregating the Australian assets into a new listed Amalgamated Fund may result in a large portion of the DPF's assets being included in this merged fund. This would then result in DPF investors being issued with securities in the new listed entity;

- DPF currently has around 6.5% of its assets invested in the DPFI. As mentioned above, DPFI is expecting to distribute all of its net capital to investors once its investments have been liquidated. Accordingly, DPF would receive a cash consideration for its DPFI investment in the second half of 2011. It has not yet been determined how these proceeds may be allocated;
- The current exposure of the DPF to MCS domestic syndicates is expected to continue.

Following the Centro US assets sale and should the Australian aggregation proceed as envisaged, DPF investors would receive:

- A cash distribution;
- An investment in the new merged listed entity representing the major portion of their current investment; and
- A continued exposure to Centro MCS syndicates.

If the Amalgamated Fund is implemented, it is expected that these components will in aggregate approximate the value currently reflected in the unit price of the DPF. The final value may be impacted by a number of factors, including transaction costs, property values and exchange rates.

DPF investors should note that details of the Amalgamated Fund have not been finalised and are still subject to further discussion between the parties involved. Any amalgamation is expected to take some months to implement, and substantial further work is required to finalise and implement a funds restructure. At this stage, there can be no certainty it will occur, precisely what form it will take and its exact composition.

As both the DPF and DPFI have been suspended since December 2007, with few liquidity options available, the responsible entity considers that the potential outcome is consistent with the goal of generating liquidity for fund investors. The sale of the US assets at a price very close to current book value is considered to be a good outcome in the circumstances, taking into account a number of challenges still faced by the Centro US funds, including high gearing, limited capital for developments, and low distribution rates.

Further details will be communicated to DPFI and DPF investors once further specific details are determined.

For further information

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