

Charter Hall Group

2015 Macquarie Australia Conference



Agenda



David Southon
Joint Managing Director



David Harrison
Joint Managing Director



Paul Altschwager
Chief Financial Officer

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- 1 Group overview**
 - 2 Property market drivers**
 - 3 Sector overview**
 - 4 Growth, FUM and capital markets**
-

Charter Hall Group

Group overview¹

More than 23 years experience investing in and managing Australian real estate

Property funds management platform

\$12.7bn FUM (39% total Group OEPS)

31 Dec 14

- Investment management
- Asset management
- Property management

| | |
|--------------------------|----------|
| FUM | \$12.7bn |
| No. of properties | 270 |
| Gross income | \$1.1bn |

- Development management
- Transaction services
- Capital management

Charter Hall Group property investment

\$795m co-investments (61% total Group OEPS)

OFFICE
\$291m
(37% of portfolio)

RETAIL
\$218m
(27% of portfolio)

INDUSTRIAL
\$174m
(22% of portfolio)

HOSPITALITY
\$112m
(14% of portfolio)

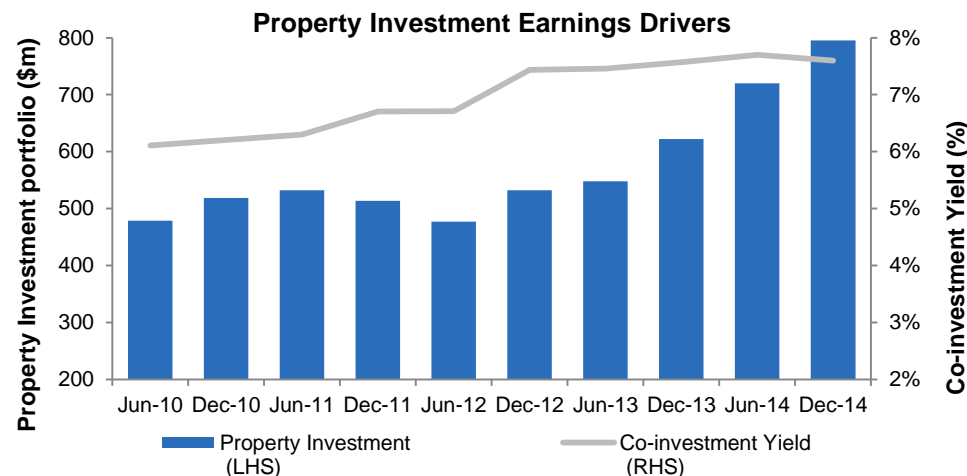
1. OEPS contribution split between funds management platform and Property Investment portfolio based on the full financial year to 30 June 2014

Operating earnings growth

Earnings drivers

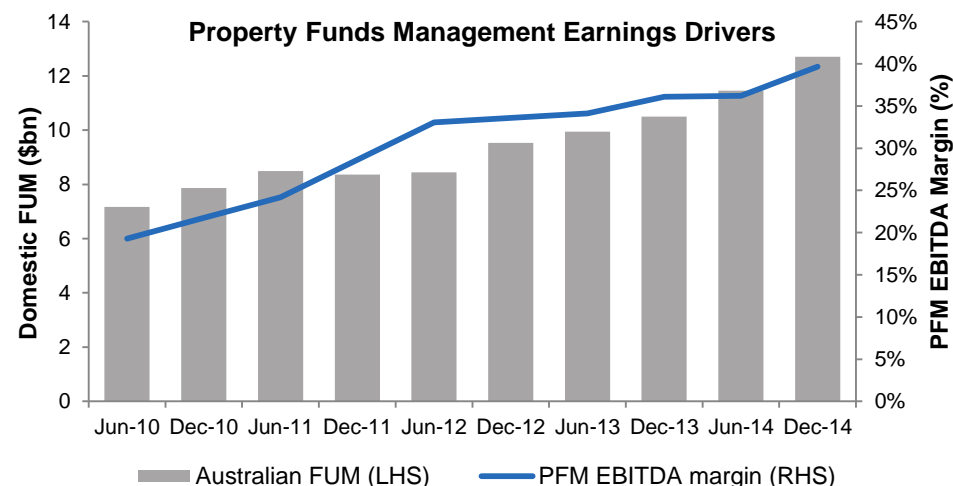
Growth in co-investment yield

- Property Investment co-investment yield has risen materially in recent years from 6.1% in 2010 to 7.6% as at 31 Dec 14
- Property Investment balance sheet has grown from sub \$500m in 2010 to \$795m as at 31 Dec 14



Growth in funds management platform

- Australian FUM has grown from \$7.2bn in 2010 to \$12.7bn as at 31 Dec 14
- Property funds management EBITDA margin has grown from approx. 20% to 40% over the same period



Consistent delivery on strategy

1HY15 Results summary

| | ACCESS | DEPLOY | MANAGE | INVEST |
|----------|--|--|--|--|
| | Access to multiple equity sources | Creating value through attractive investment opportunities | Property funds management, asset management, leasing & development services | Investing alongside our capital partners |
| 6 Months | \$944m gross equity raised | \$2bn transactions \$1.4bn acquisitions \$0.6bn divestments | \$12.7bn FUM 270 properties 2,264 tenants 284 leasing deals | \$795m of property investments with 7.17% WACR² and 8.8% discount rate |
| 3 Years | \$4.4bn gross equity raised | \$8.3bn transactions \$5.8bn acquisitions \$2.5bn divestments | \$4.3bn FUM growth 113 additional properties | WALE¹ increased by 3yrs to 9.5yrs |

1. WALE is the Weighted Average Lease Expiry for the Property Investments portfolio which is measured by all tenants remaining leases in years, weighted by each tenant's gross income as a proportion of the total potential gross income for the portfolio

2. WACR is Weighted Average Cap Rate for the Charter Hall Group Property Investments portfolio and is weighted by individual co-investment value as a proportion of total property investments

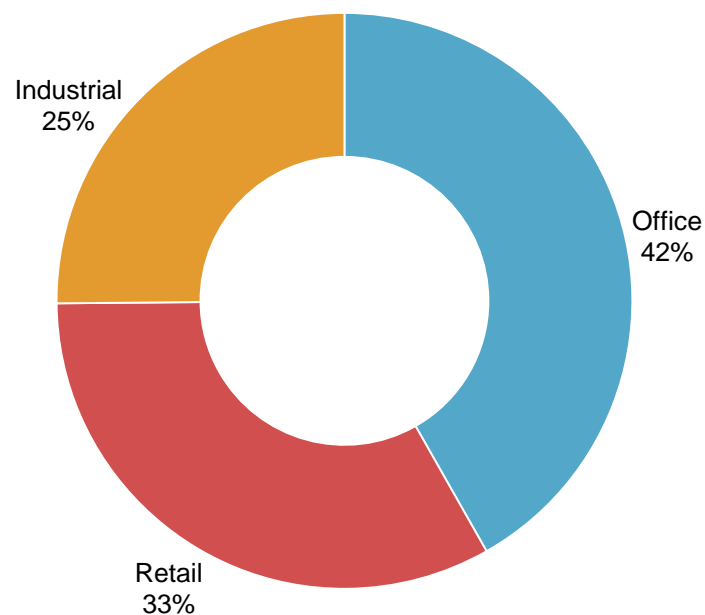
Enhanced portfolio quality

Property investments

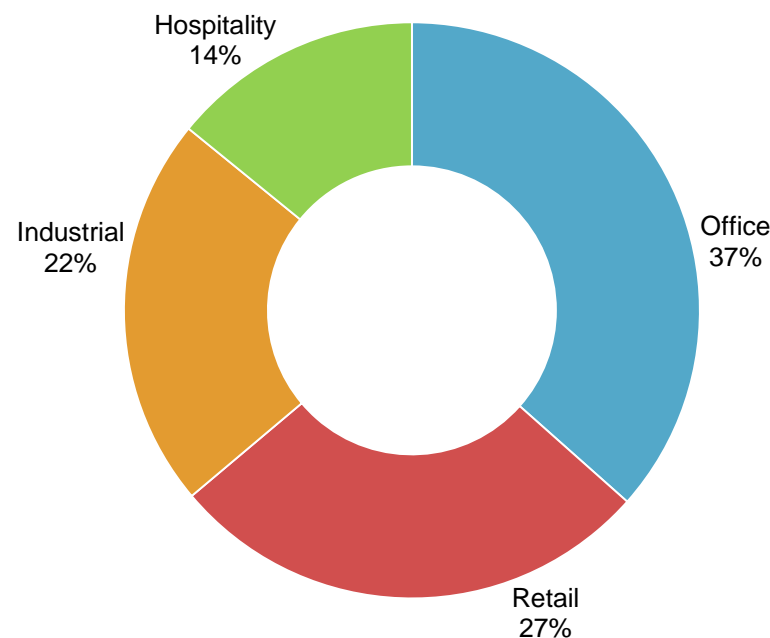
In line with our strategy, Charter Hall Group has continued to focus on reweighting its Property Investments towards a more diversified portfolio

- Property Investment portfolio has increased its exposure to long WALE industrial, hospitality and retail assets
- Diversification of the portfolio has been further enhanced with an investment in LWIP

Property Investments by Sector
30 June 2014



Property Investments by Sector
31 December 2014

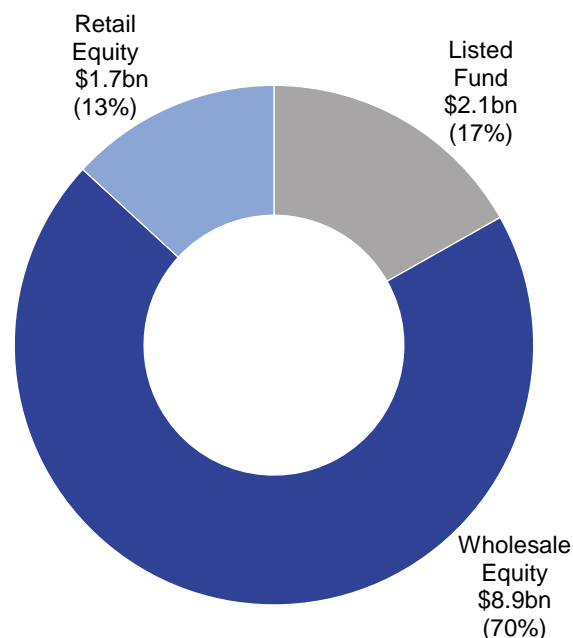


Well diversified funds management portfolio

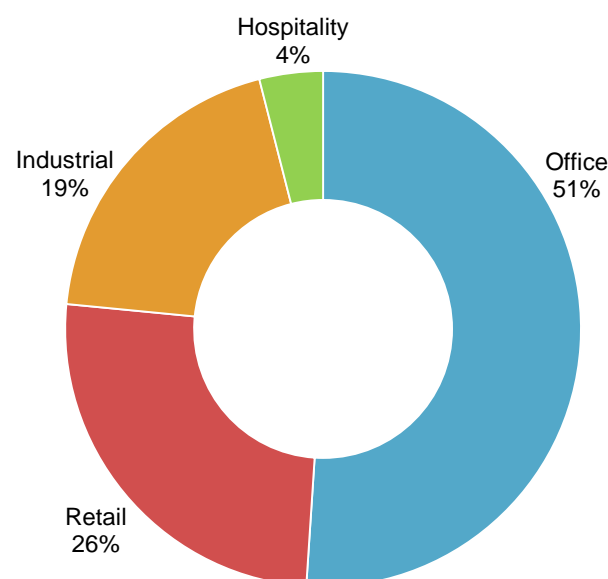
Property funds management

| | Portfolio Size (\$bn) | No. of properties | No. of tenants | Gross income (\$m) | WALE (years) | Occupancy (%) | Average cap rate (%) |
|--------|-----------------------|-------------------|----------------|--------------------|--------------|---------------|----------------------|
| Dec 14 | 12.7 | 270 | 2,264 | 1,081 | 8.1 | 97.5% | 7.30% |
| Jun 14 | 11.5 | 209 | 2,289 | 1,000 | 7.3 | 96.8% | 7.68% |

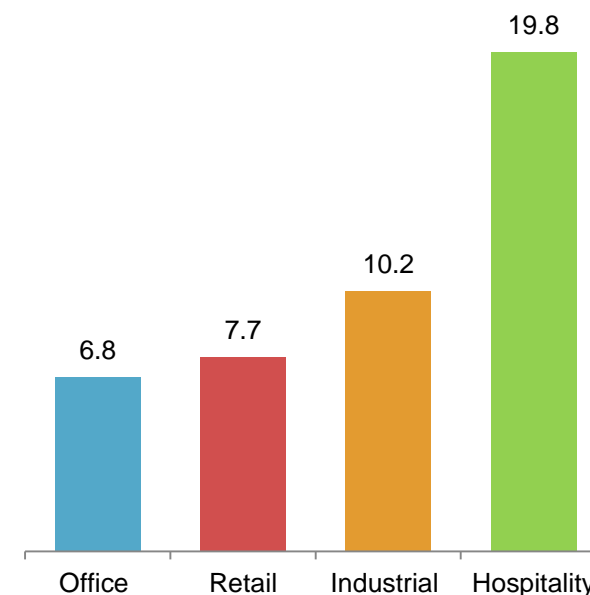
Diversification by funding source



Asset type diversification¹



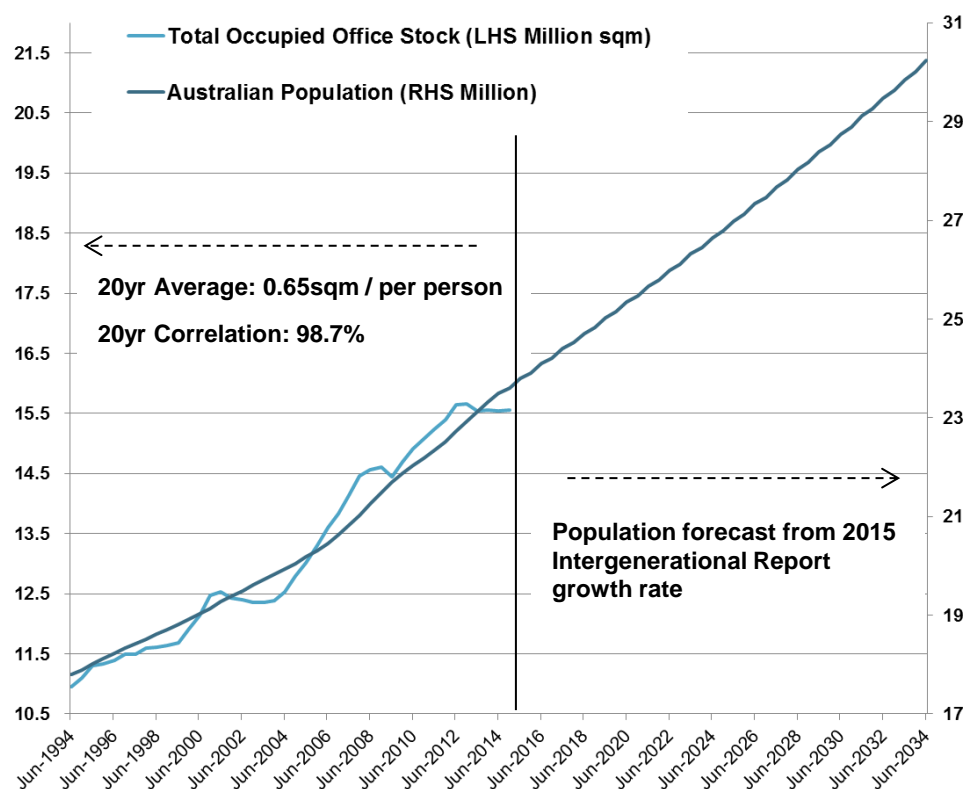
WALE by sector



1. LWIP is allocated between the Hospitality sector (82%) and Retail sector (18%)

Favourable demographic outlook

Total Australian population and occupied office stock



- While peaks and troughs emerge from economic cycles, tenant requirements are fundamentally driven by Australia's total population level.
- The 2015 Intergenerational Report forecasts Australia's population to reach 37.8 million by 2050.

Source: PCA, ABS, Treasury

Improving employment fundamentals



Lower \$AUD improving international competitiveness



Residential strength constraining office supply



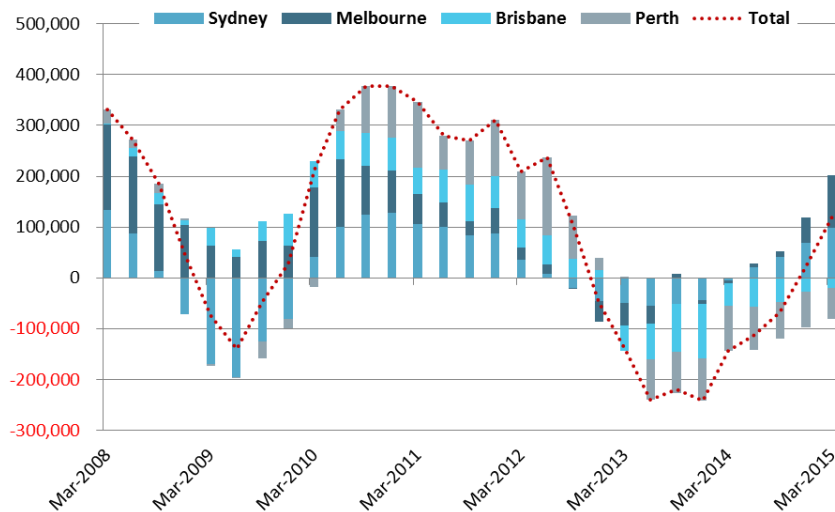
Strong investment demand for prime grade assets

Office market

Tenant demand recovering and strong capital drivers, but with material upcoming supply

- Demand has recovered led by strong performances from Sydney and Melbourne. While Perth remains challenged, forward indicators, such as job advertisements, are positive in other markets.
- Supply under construction is significant and we expect market vacancy to broadly peak in 2015/16 as this stock comes online, although mooted withdrawals will likely see vacancy contract relatively quickly in following years.
- Employment expectations recently released by the DOE have shown a meaningful increase at 10% overall in the coming five years.

Major Capitals Annual Net Absorption



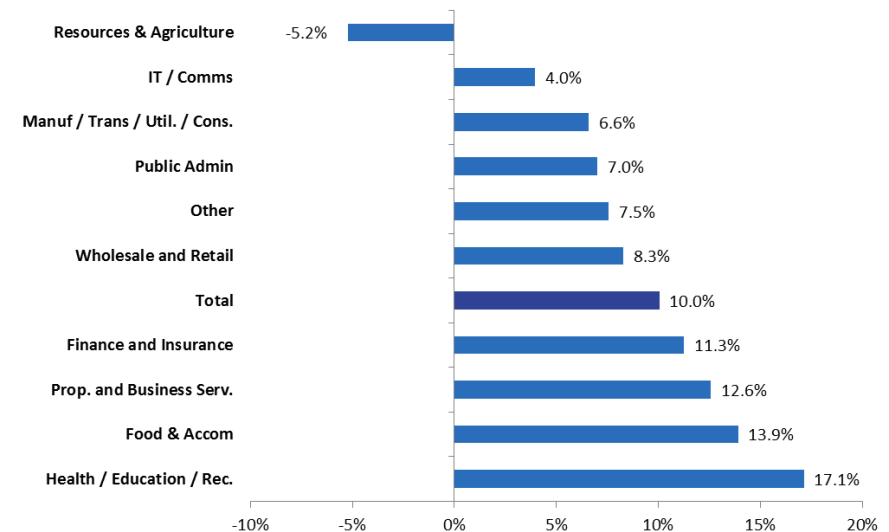
Source: JLL, DOE, Charter Hall

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Relative Supply Under Construction by CBD (Mar-15)



5yr Employment Forecast by Sector (DOE)

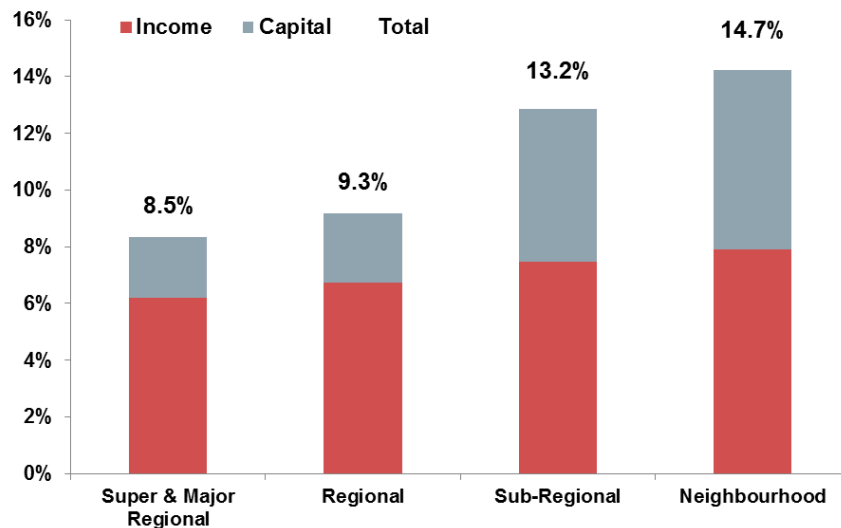


Retail market

Long term growth of supermarkets has driven outperformance

- Over the past 20 years Charter Hall's preferred retail exposures of food-anchored and hardware & garden centres have shown superior growth in retail trade.
- This stability of growth within the supermarket sector has been reflected in total return performance during 2014, with Neighbourhood and Sub-regional centres materially outperforming larger discretionary-anchored centres.

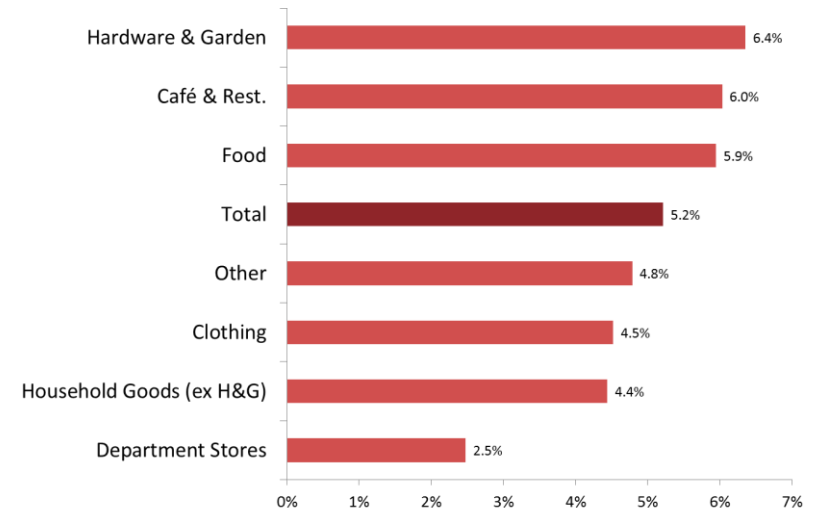
Total Return by Retail Asset Class – 2014



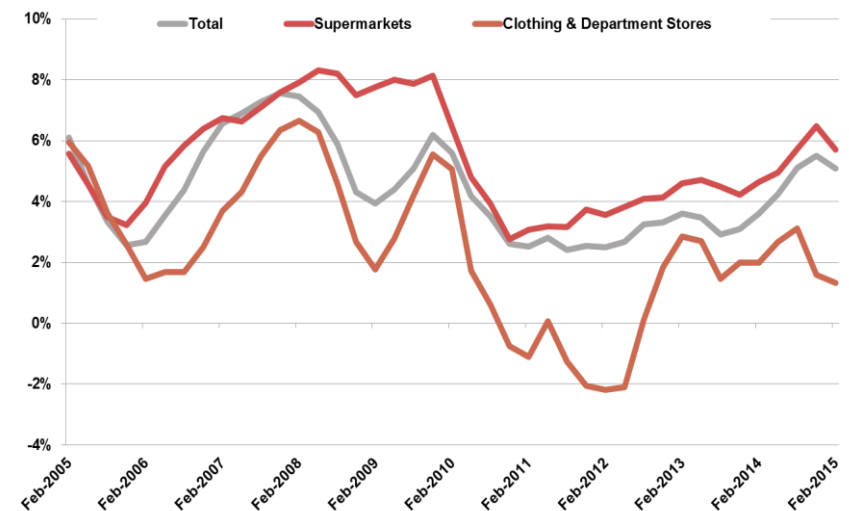
Source: ABS, IPD, Charter Hall

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20yr Retail Trade CAGR by Category



Retail Trade Growth by Category

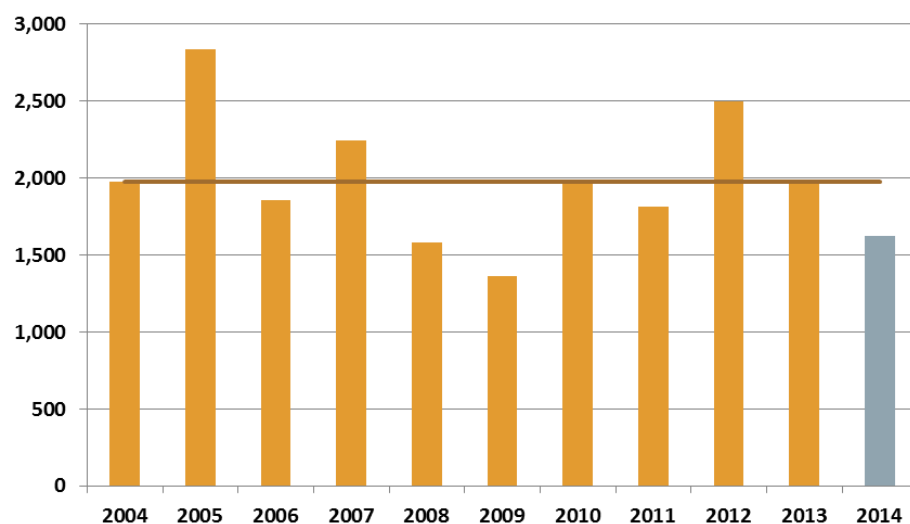


Industrial market

Top performing sector with attractive lease structures, but demand slowed in 2014

- Industrial was the top performing sector in 2014 according to IPD, with strong risk-adjusted returns driving increased interest in the sector.
- Tenant activity did slow however as the lower \$AUD moderated growth in internet retailing and the declining resources sector impacted some logistics groups.
- This has been met with a corresponding reduction in industrial supply, which adjusts quickly in the sector due to short construction times, with real industrial approvals down 17% during the year and stock under construction running ~20% below 2014 supply levels.

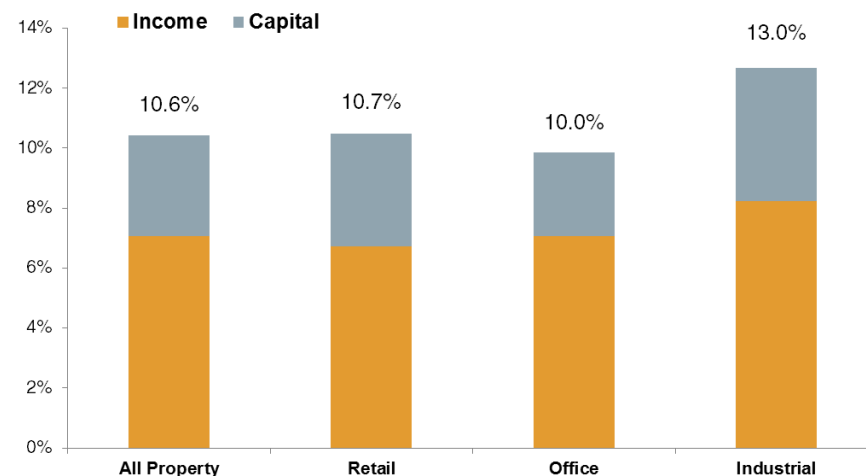
Major Industrial Leasing Activity



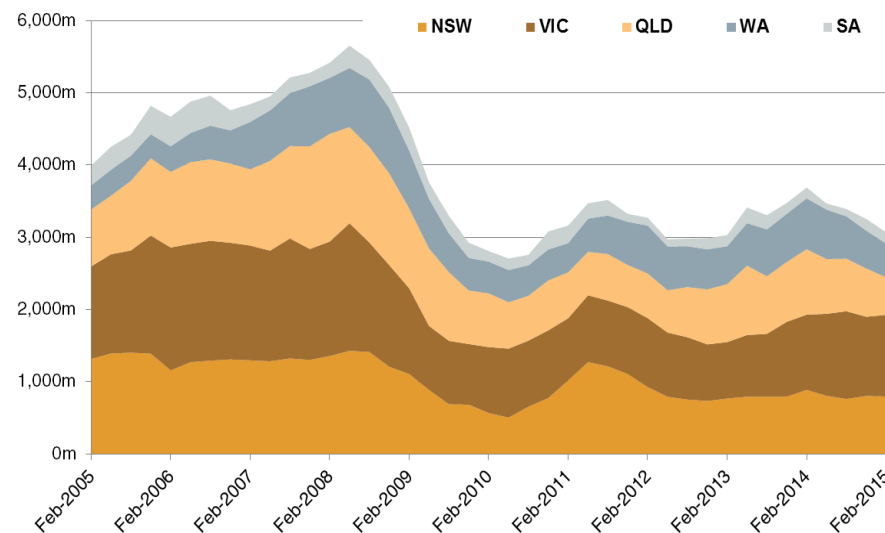
Source: IPD, JLL, ABS, Charter Hall

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Total Returns by Property Sector



Real Value of Factory & Warehouse DA's (\$m)

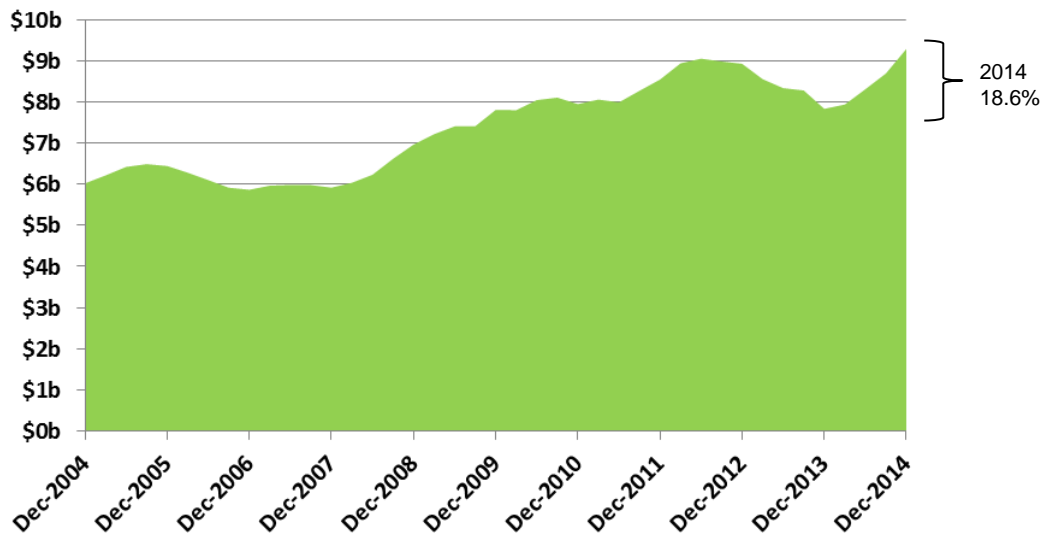


Hospitality market

Attractive tenancy structures with strong trade fundamentals

- Long term, strong covenant, leases are highly attractive in the current environment.
- The declining \$AUD has seen recreation & hospitality emerge as Australia's top performing sector in 2014 for both job gains and revenue growth.

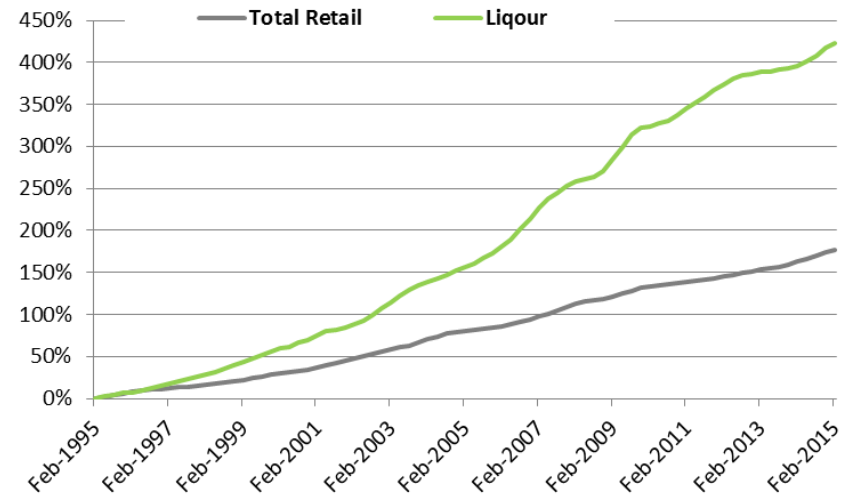
Hospitality Industry Gross Profits (ABS)



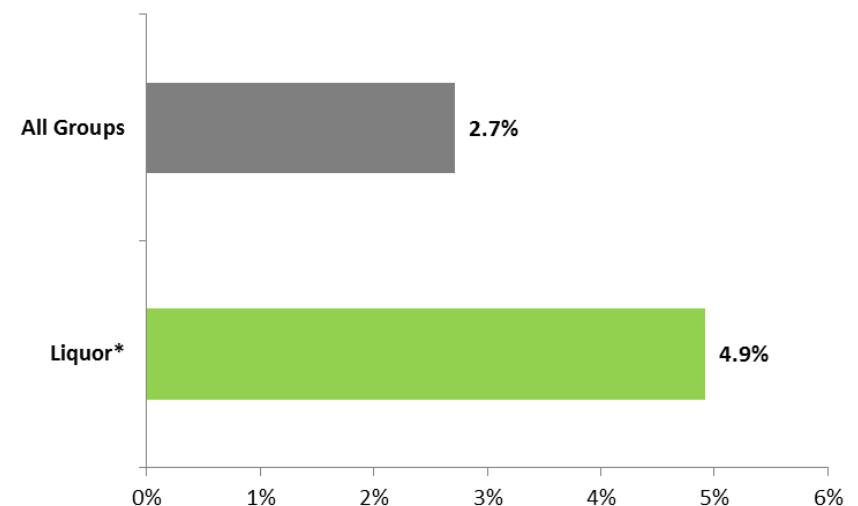
Source: ABS, RBA, Charter Hall * Liquor including tobacco according to ABS/RBA index

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20yr Retail Trade Growth



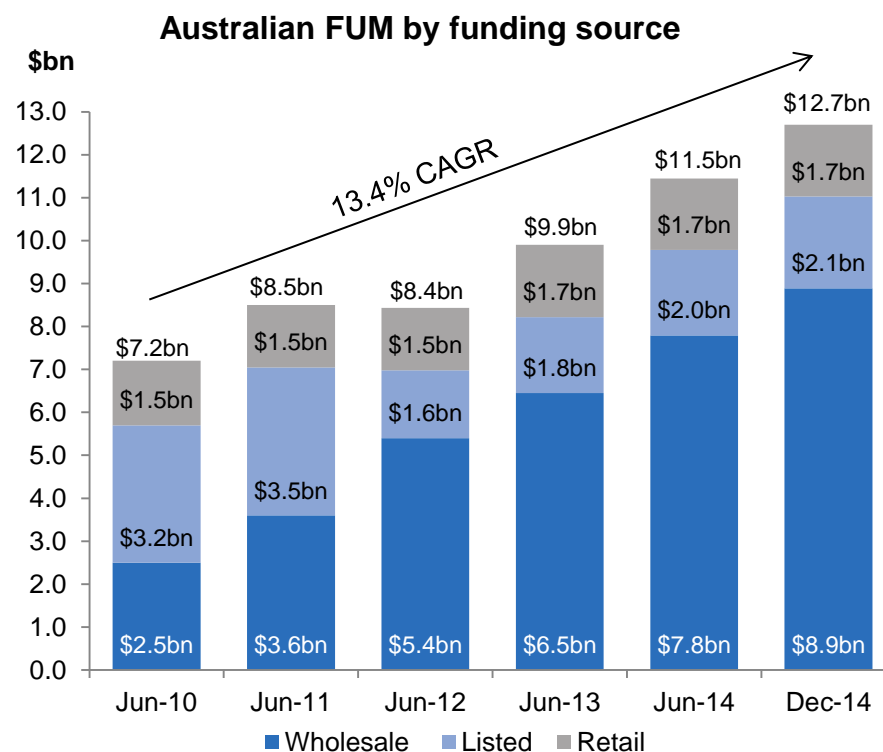
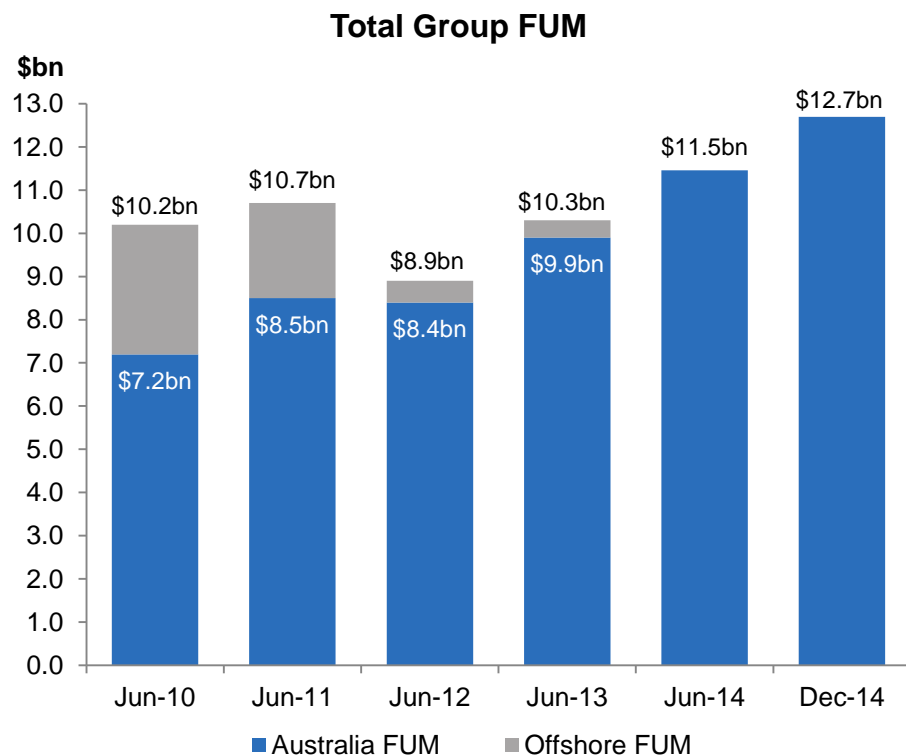
Australian 20yr Compound Inflation Rate



Australian FUM growth

Property funds management

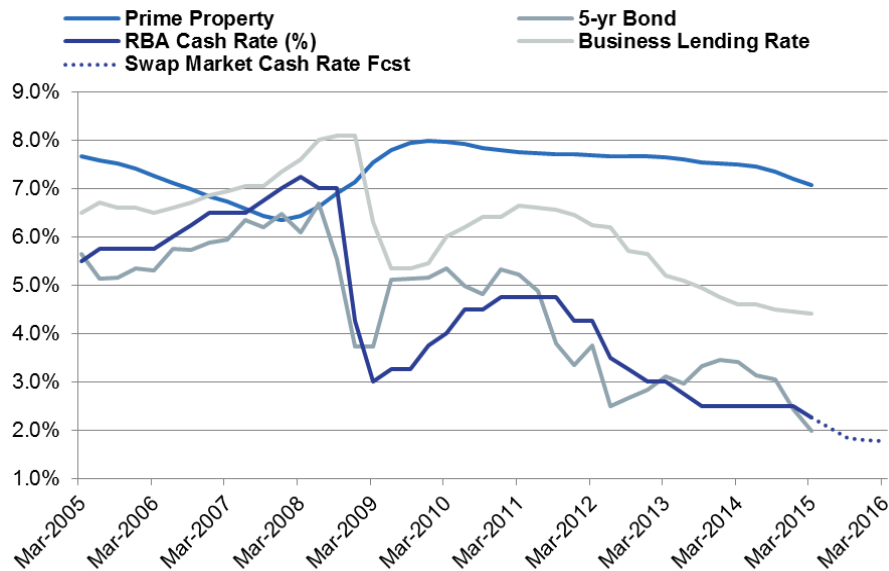
- FUM growth driven by activity in the Industrial, Retail and new Hospitality sector
 - Australian property FUM has increased \$1.2bn, or 10.4% during 1HY15 to \$12.7bn
 - 13.4% CAGR in domestic FUM since June 2010



Property capital drivers

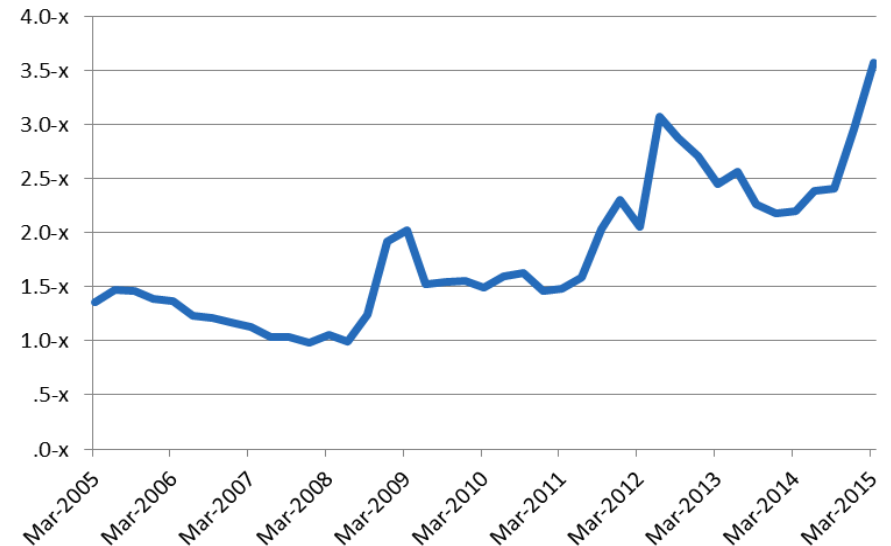
Property yield spreads to debt and fixed interest returns are highly compelling

Prime Property Yield Spread to Fixed Interest



- While yields have contracted, the spread between prime property yields to the cost of debt and fixed interest returns is the most attractive for a number of years.
- Returns on bonds and term deposits have fallen sharply at the start of 2015 with swap markets currently pricing the cash rate at 1.80% by the year's end.

Prime Property Yield as Multiple of 5yr Bond Rate



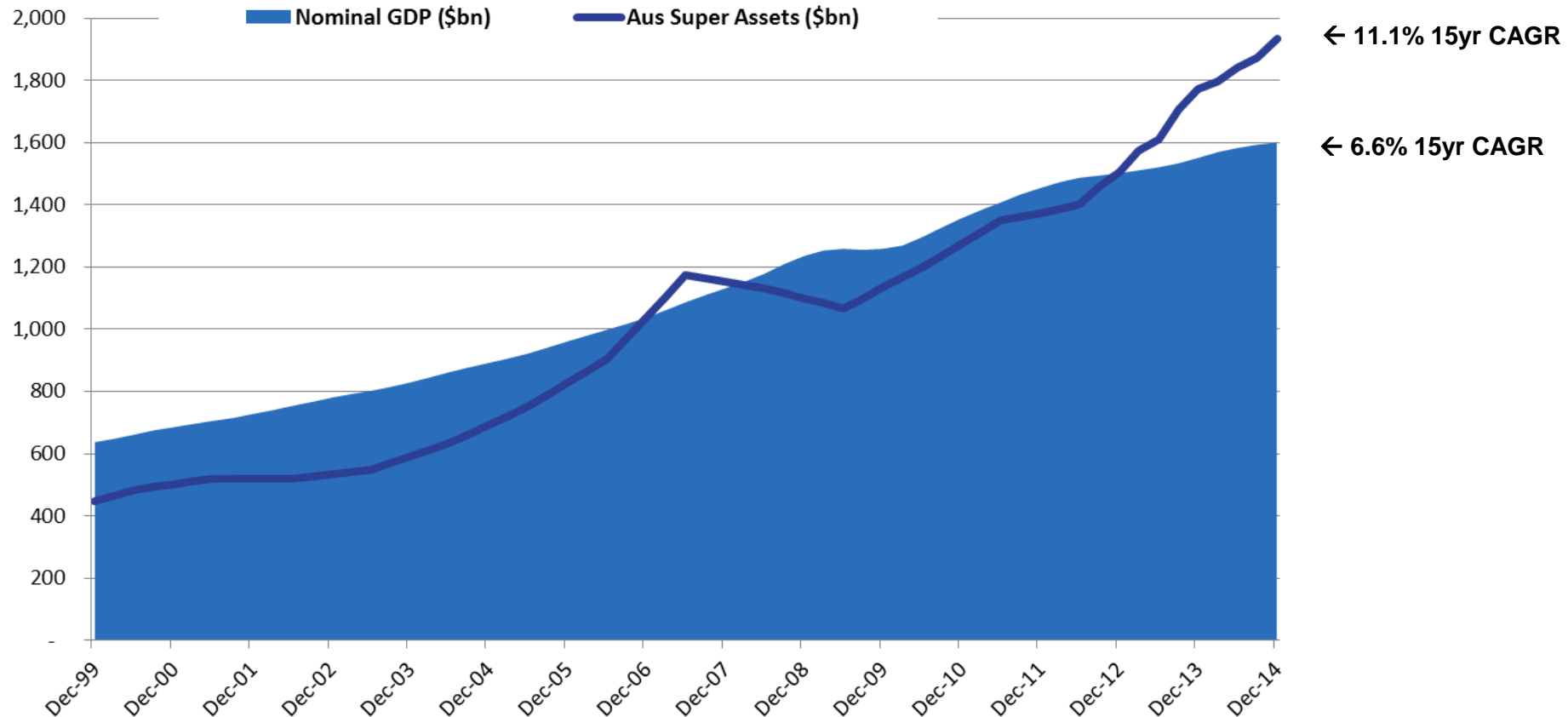
- The average prime property yield represents an income return 3.6 times that provided by a 5yr Government bond (1.98% as at 31 March 2015).
- This is the highest multiple on record and more than double the ten year average of 1.8 times.

Source: RBA, Westpac, JLL, Charter Hall

Property capital drivers

Australian superannuation growth vs Australian GDP

- The combined assets of Australian Superannuation funds now exceed \$1.9 trillion, growing by \$429b in the past two years. This is more than four times the growth evident in nominal GDP and almost double the size of Australia's entire commercial property sector.
- No respondents to AMP's latest institutional investor intentions survey currently plan to reduce their exposure to direct property.



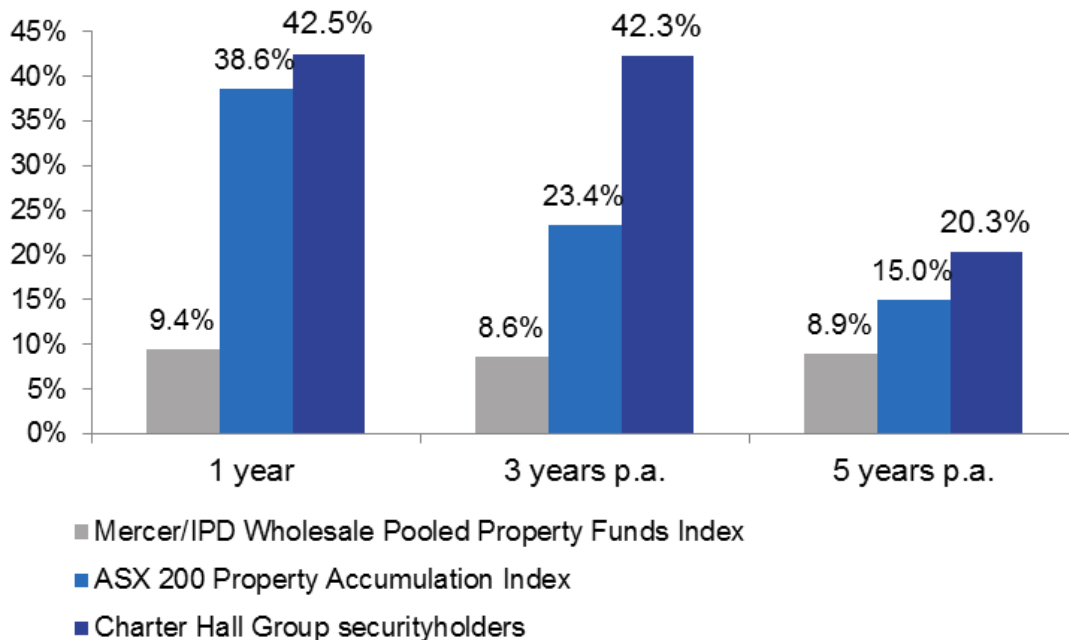
Source: APRA, ABS, Charter Hall

Total securityholder returns

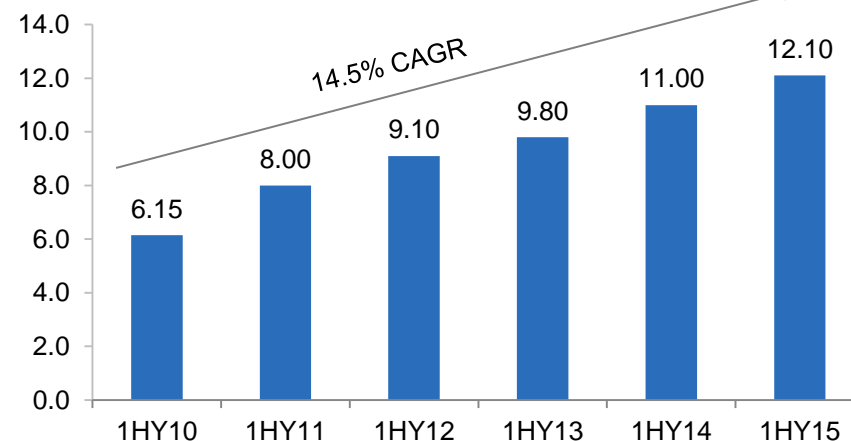
Strong performance

- Total securityholder return for 1 year to 31 Mar 2015: 42.5%
- Best performance in A-REIT 200 index over past 3 years (42.3% p.a) and 5 years (20.3% p.a.)¹

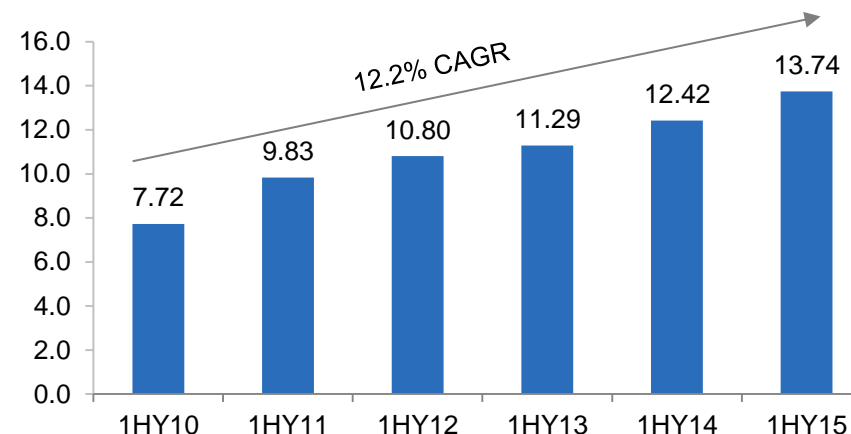
**Total performance over 1, 3 and 5 years (% pa)
to 31 Mar 2015¹**



Distribution per security growth



Operating earnings per security growth²



1. Source: IPD, UBS and S&P/ASX

2. Operating earnings per security prior to and including 1HY13 restated to include non-cash security based benefits expense

FY15 outlook and earnings guidance

Outlook and guidance

As advised at Charter Hall Group's 1HY15 financial results our guidance remains unchanged as follows:

- Absent unexpected events, our FY15 guidance is 7-9% growth on FY14 operating earnings per security
- The distribution payout ratio is expected to be between 85% and 95% of operating earnings per security



Further information

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About Charter Hall Group:

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with over 23 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. As at 31 December 2014 Charter Hall had \$12.7 billion of funds under management across the office, retail and industrial sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors, the community and the Group.

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