

10 October 2017

Charter Hall Group Market Update

Sydney

Western Sydney University, 1 Parramatta Square, Parramatta NSW

Agenda

1. Group Transaction Market Update	David Harrison
2. Equity Flows / Direct Business Update	Richard Stacker
3. Office Market Update	Adrian Taylor
4. Retail Market Update	Greg Chubb
5. Industrial Market Update	Sean McMahon
6. Capital Market Update	Russell Proutt
7. Group Outlook	David Harrison



David Harrison
Managing Director &
Group CEO



Richard Stacker
Group Executive –
Global Investor Relations



Adrian Taylor
Group Executive – Office



Greg Chubb
Group Executive – Retail



Sean McMahon
Chief Investment Officer &
Group Executive – Industrial



Russell Proutt
Chief Financial Officer

Group Transaction Market Update

David Harrison, Managing Director & Group CEO



990 La Trobe St, Melbourne VIC

Charter Hall Transactional Activity

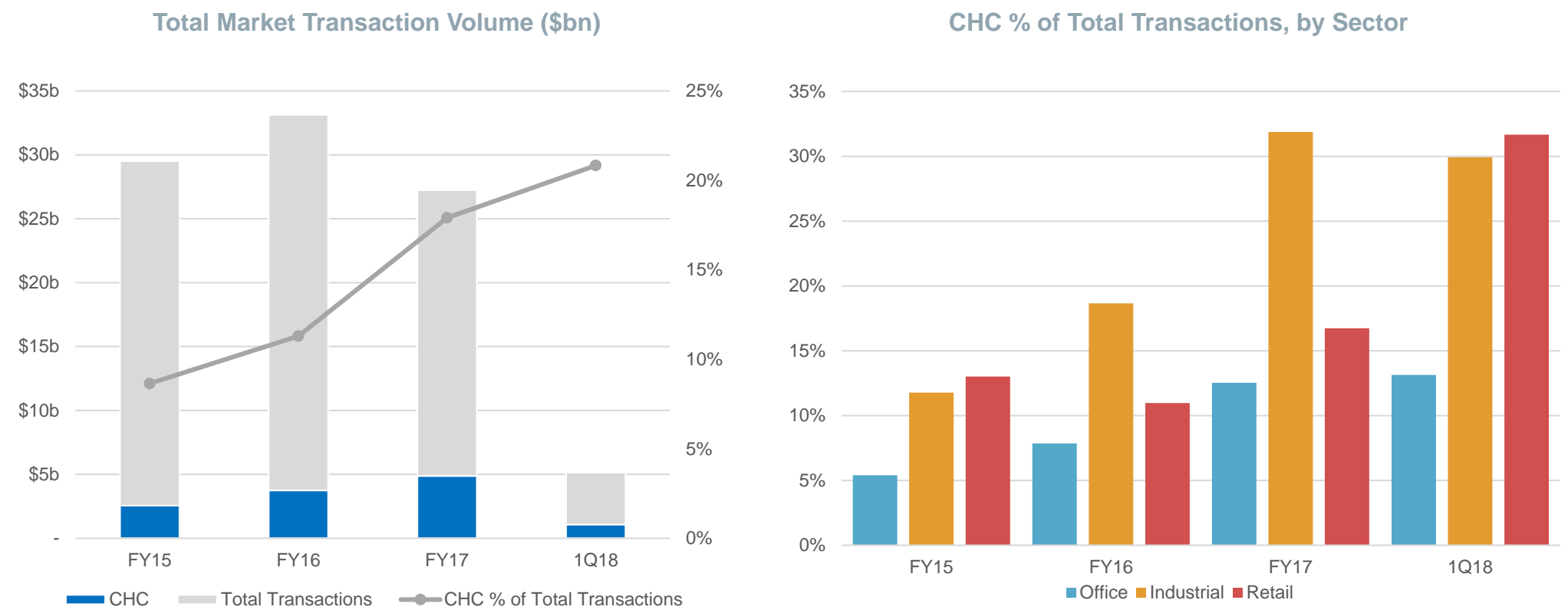
- Transaction revenue is a regular feature of earnings which we expect to continue
- Gross transactions in Q1 FY18 reached \$1,076m

Q1 FY18	Office	Industrial	Retail	TOTAL
Acquisitions	\$190m	\$121m	\$454m	\$765m
Divestments	(\$206m)	-	(\$105m)	(\$310m)
Net transactions	(\$16m)	\$121m	\$350m	\$455m
Gross transactions	\$396m	\$121m	\$559m	\$1,076m

FY17	Office	Industrial	Retail	TOTAL
Acquisitions	\$922m	\$1,354m	\$687m	\$2,963m
Divestments	(\$894m)	(\$941m)	(\$417m)	(\$2,252m)
Net transactions	\$29m	\$413m	\$270m	\$711m
Gross transactions	\$1,816m	\$2,295m	\$1,104m	\$5,215m

Total Market Transactions

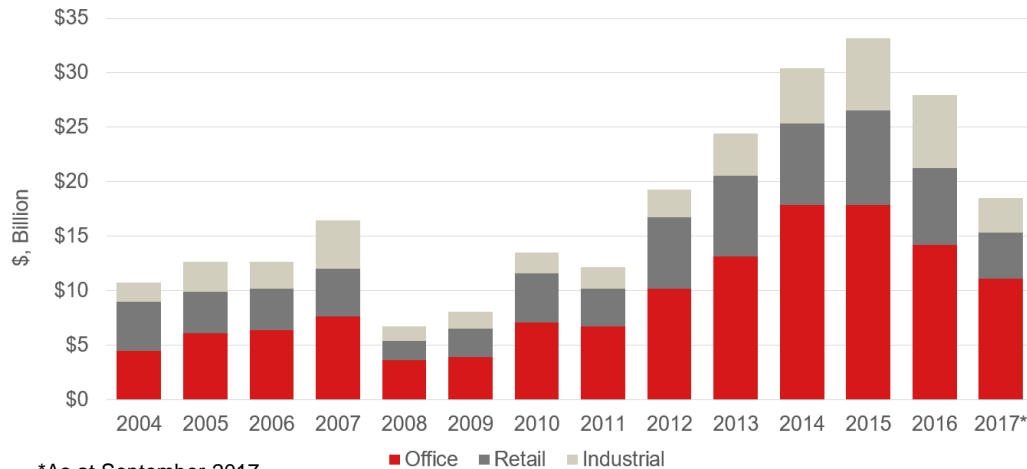
Charter Hall’s share of transactions has averaged ~13% of the total market transactions volume



Source: JLL, Charter Hall Research

Activity Expected to be Similar to 2016

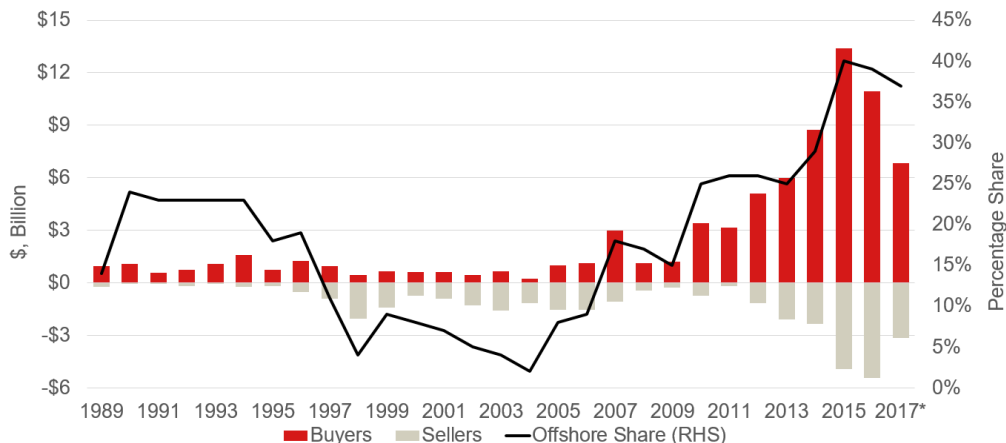
Australian commercial property markets transaction volumes, 2004 to 2017*



*As at September 2017
Source: JLL Research

- Overall volumes are slightly lower than same time in 2016, however with current transaction activity expected to be near 2016 levels by year end
- Office remains most active with nearly 70% of all activity and industrial has been less active in 2017
- The retail sector is also more subdued on a relative basis and the recent retraction of the Blackstone portfolio is evidence of this

Offshore buyers and sellers, 1989 to 2017*



*As at September 2017
Source: JLL Research

- Offshore activity remains at cyclical high levels remaining at ~30% of all activity which has been a growing trend since the GFC
- Investment spreads remain relatively attractive for offshore parties with tier one investment stock providing attractive risk premia spreads to bonds
- M&A activity increasing with recent announcements regarding Propertylink and Industria REIT

Sale & Leaseback

- CHC continues to be a major player within the sale and leaseback market with ~\$3.0bn¹ sale and leaseback transactions undertaken over the last 4+ years
 - CHC continues to see success sourcing off-market opportunities through loyal existing tenants
 - Management believe there is still opportunity to do more within new and existing sectors
- Global market volatility likely to continue to assist the sale and leaseback story as corporates continue strategic efforts to ensure balance sheet stability and focus on their core business operations/efficiencies

Examples of CHC's Sale and Leaseback Relationships



Notes

1. Sale and leaseback transactions from FY14 to FY18 YTD.

Recent Sale & Leaseback Activity

Recent sale & leaseback case studies highlight managements capabilities and the continued confidence from tenants in CHC's ability to work collaboratively and execute upon mutually beneficial portfolio transactions

Lederer Portfolio



- Charter Hall settled on a portfolio of 10 industrial properties valued at ~\$182.5m
 - Predominantly cold storage distribution centres
- The sale and leaseback transaction was secured by a high quality lease covenant with Primo and a WALE of 10.5 years
 - Predominantly triple net leases
- Multiple funds acquired portfolio:
 - CPIF - \$81m
 - DIF4 - \$59m
 - DCSF (new Direct vehicle) - \$37m

Home Consortium



- In early 2016, Woolworths announced the sale of its Masters Home Improvement Business (including the property portfolio), with Home Consortium the ultimate acquirer
- Subject to completion, this will lead to the acquisition of a ~\$188m portfolio of 6 freehold Masters stores subject to new 12 year net leases to Bunnings and a strategic development site located at Frenchs Forest for ~\$32m
 - CHC's relationship with Bunnings throughout the sale process gave Home Consortium the confidence a transaction could be executed between the 3 parties
 - Completion anticipated to occur by mid- October 2017¹

1. All portfolio and transaction numbers in this presentation assume completion of this transaction

Recent Sale & Leaseback Activity – Repeat Business

67% of all CHC leasing activity is underpinned by repeat tenant customers. Coca Cola is a major tenant repeat customer that recently committed to a major sale & leaseback in Brisbane.

Coca Cola Amatil Facility, Richlands



- CPIF exchanged to purchase a freehold Industrial site of 24.89ha with existing improvements of ~50,000sqm and ~31,000sqm under construction from Coca Cola Amatil (Aust) Pty Limited (CCA) on a sale and lease back arrangement for \$157m at a initial yield of ~5.25%
- Under the lease, a parent company guarantee will be provided by the listed entity Coca Cola Amatil Limited (ASX:CCL) who have a market cap of \$7.14bn
- CCA will enter into a 20 year Triple Net Lease from 1 December 2017 when practical completion of the facility is due to complete
- This acquisition is a prime example of major tenant customer repeat business and is the 3rd major transaction undertaken with CCA



Equity Flows / Direct Business Update

Richard Stacker, Group Executive – Global Investor Relations

Equity Flows

Consistent equity flows within the funds platform

- Ability to access all 3 equity sources evident in record FY17 equity raised
- Momentum in equity continuing in FY18 and expected to continue across all 3 equity sources
- Local and offshore investors attracted by Funds' outperformance, core strategy with emphasis on long lease product, ability to secure assets on/off market and originate build to hold opportunities
- Wholesale equity – CPOF and CPIF closed FY17 capital raising oversubscribed. Good pipeline of opportunity to re-open in FY18. Larger groups looking for co-invest and Partnership opportunities
- Direct (unlisted retail) business continues to cement position with market leading and award winning product – DOF, DIF4, PFA and DCSF, model moving to more "open ended funds"

	FY14	FY15	FY16	FY17
Wholesale Pooled Funds	\$651m	\$653m	\$606m	\$776m
Wholesale Partnerships	\$261m	\$598m	\$467m	\$217m
Listed Funds ¹	\$260m	\$274m	\$76m	\$988m
Direct Funds ²	\$277m	\$180m	\$318m	\$355m
Gross equity raised	\$1,449m	\$1,705m	\$1,467m	\$2,336m
Net equity raised	\$987m	\$1,297m	\$1,099m	\$1,689m

Equity flows includes equity received or returned only and excludes undrawn equity commitments

1. Listed Funds include equity raised in CHC, CQR and CLW

2. Funds and syndicates for retail, SMSF and high net worth investors

Wholesale Equity Flows

Charter Hall continues to see a demand from local and offshore investors

- Equity flowing across 4 regions from 14 countries
- >50% of FY17 equity flow from offshore investors
- Australian real estate still attractive on a relative basis
- CPOF and CPIF potentially reopening due to significant pipeline
- Local and global investors looking for co-invest, partnership opportunities

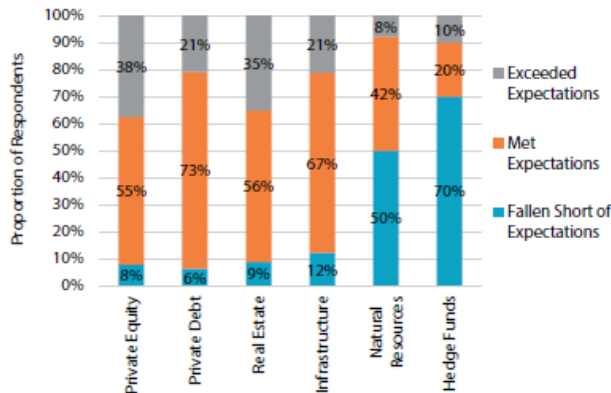


Wholesale Equity Flows

Wholesale Investors intentions – will allocations continue in the short & long term

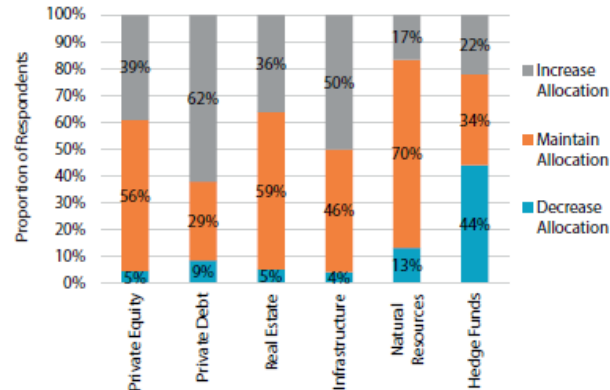
- Across most alternative investments key investors concerns are valuation / pricing and deal flow
- Notwithstanding these concerns:
 - Returns from Real Estate have in 91% of cases met or exceeded investors expectations
 - 95% of investors intend to increase or maintain allocations to real estate
 - Unallocated capital (“dry powder”) is close to 50% of current assets under management and the highest level ever

Fig. 1.7: Investors' Perception of the Performance of Alternative Asset Classes over the Past Three Years



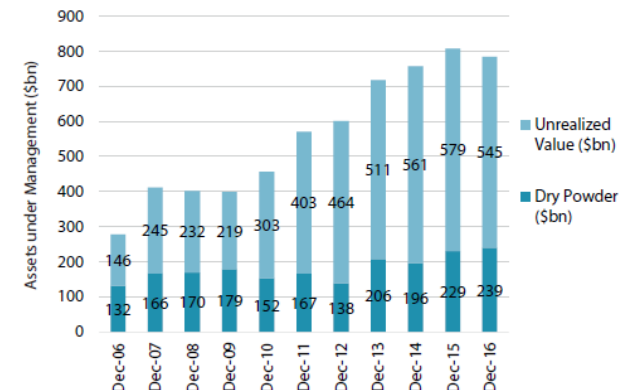
Source: Preqin Investor Interviews, June 2017

Fig. 1.10: Investors' Intentions for Their Allocations in the Longer Term by Asset Class



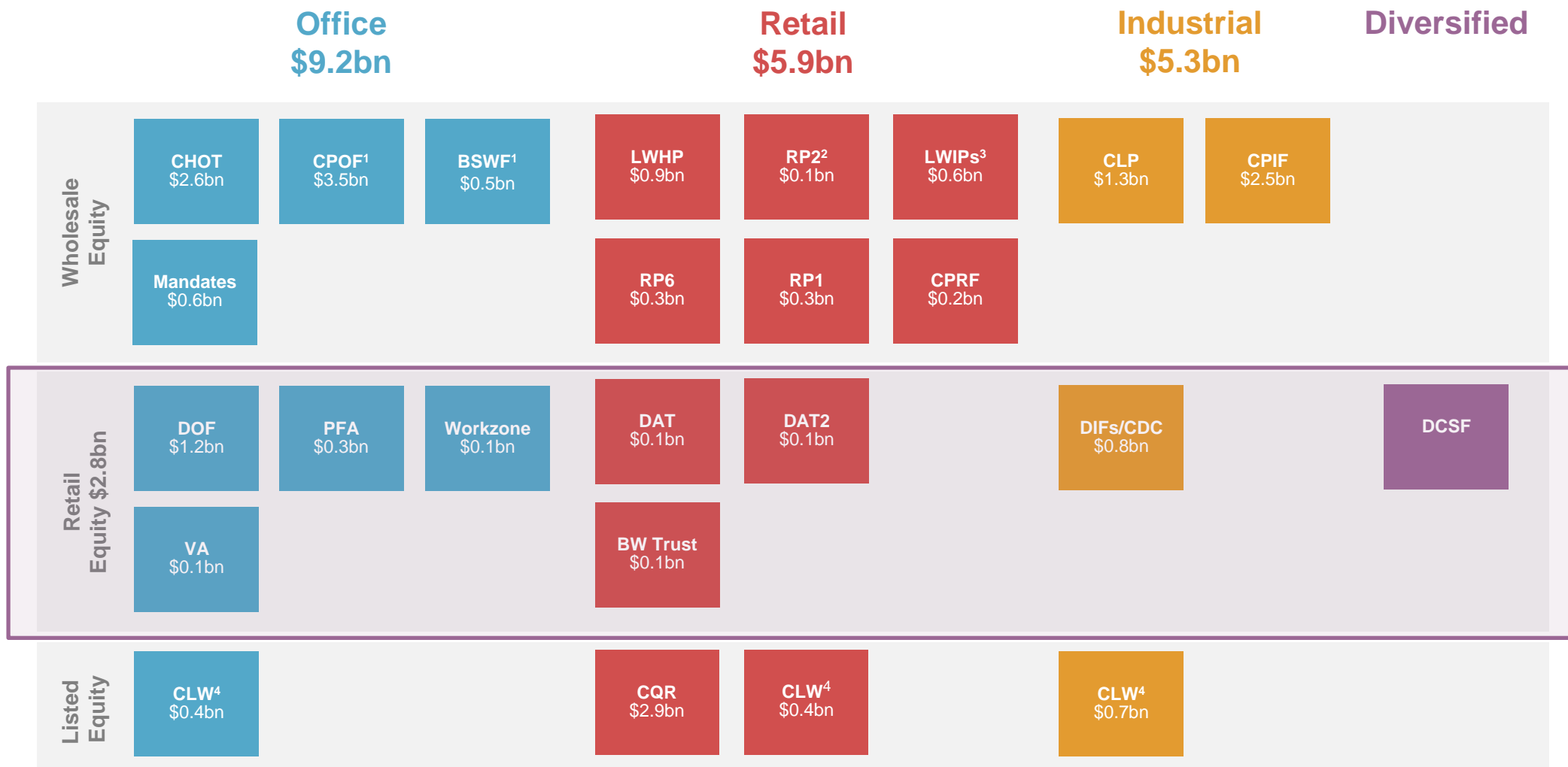
Source: Preqin Investor Interviews, June 2017

Fig. 5.1: Closed-End Private Real Estate - Assets under Management, 2006 - 2016



Source: Preqin Real Estate Online

Unlisted Direct Managed Funds



Note Statistics on this page may not add due to rounding

1. CPOF holds 49.1% of the units in the Brisbane Square Wholesale Funds (BSWF)
2. CQR holds 47.5% of the units in RP2
3. LWIPs include LWIP1 and LWIP2. CLW hold 45% of the units in LWIP1
4. Charter Hall Long WALE REIT (CLW) is a \$1.5bn listed REIT diversified across the Office, Industrial and Retail sectors
5. Charter Hall Diversified Consumer Staples Fund (DCSF), launch mid October 2017

Grow the Direct Business with Resilience

Charter Hall Direct is an important component of Charter Hall's funds business

The focus is on growth that is sustainable and institutional quality funds/assets that will go through cycles

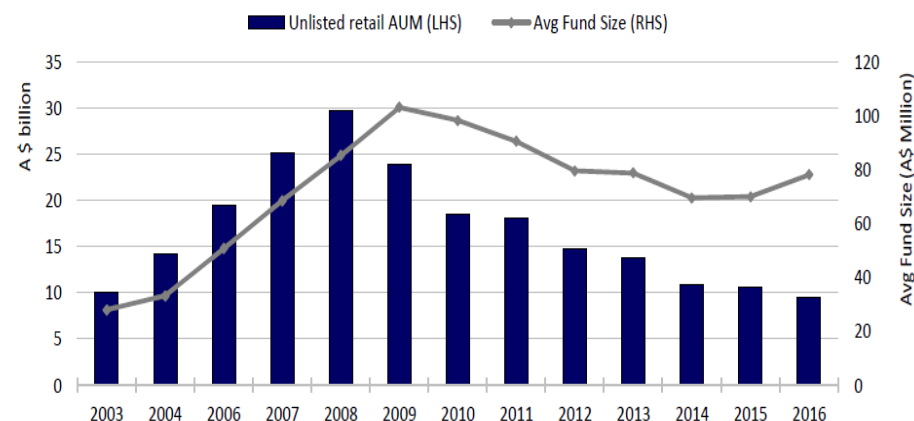
- Gearing ranges in funds and syndicates are from 25% to 45% with average gearing of 40%;
- Continue to buy core real-estate and have lowered the fund distribution yields rather than lower the funds asset quality;
- Continue to focus on advised and direct (unadvised) investors
- Have not offered broad based liquidity features on the product suite to match competing funds
- Model moving to “evergreen” open ended funds from closed end single property syndicates



Unlisted Retail Environment

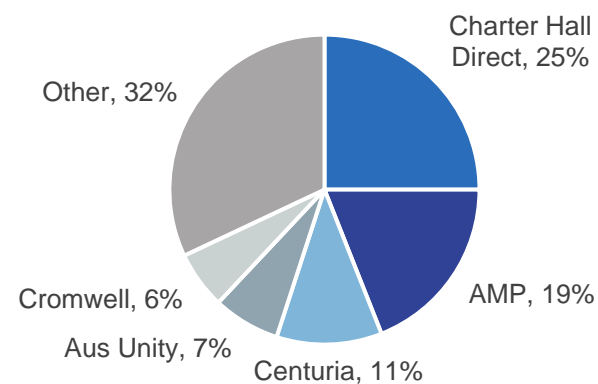
- The unlisted retail sector AUM has continued to decline as managers wind down / list on ASX their funds. The market is now dominated by a few key players
- Charter Hall's unlisted retail products can be categorised as being differentiated from those of its competitor universe:
 - A strong market presence within the media
 - Growing SMSF and adviser distribution channels
 - High quality long WALE product and strong performance create a sustained competitive advantage and platform for future business growth
- The competitor universe can be categorised having a more focused/niche strategy which may limit growth in adviser / direct investor space
 - AMP - Diversified fund, lower quality assets or lower gearing. Hybrid - Unlisted/Listed option "Liquid" product
 - Centuria use mainly single property syndicate models although initial move to fund of fund open end model
 - Australian Unity more niche specialised investment mandates can be challenging to readily source product for
- With the competitor universe being positioned in such a manner, this enables these Managers to build strong brand loyalty within their niche but detracts from their broader market appeal as investors better understand the unlisted retail category and may limit their FUM growth potential

Unlisted retail sector AUM



Source: PIR

Direct Fund & Syndicate Managers Market Share

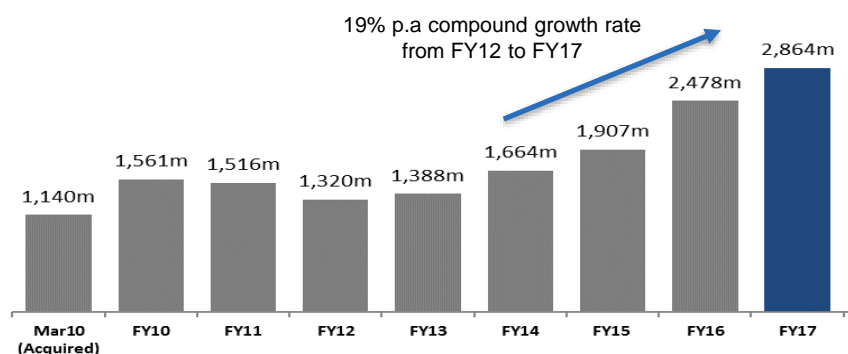


Source: PIR

Direct FUM

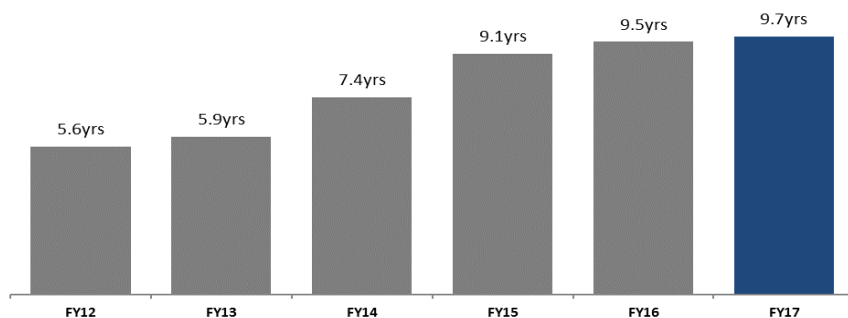
Growth in FUM has been combined with a continued improvement in the portfolio quality

Growth in Direct Funds Under Management



Note – the decrease in FUM through FY10 to FY13 was driven by a repositioning of the business model and winding up of historical funds

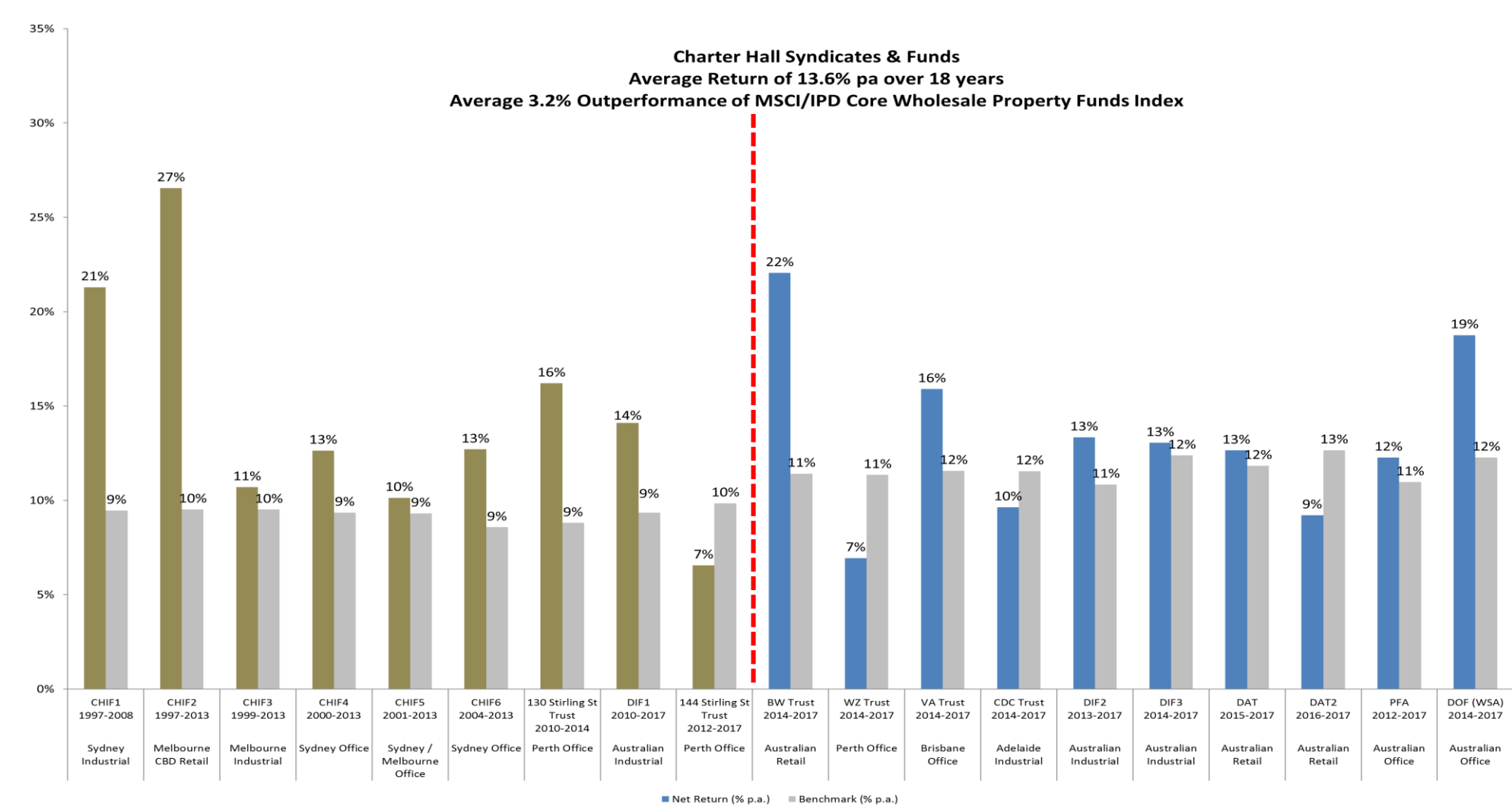
Portfolio WALE – Direct business



- Growth in FUM through FY18-19 will be driven by existing and new funds:
 - DOF
 - DIF4
 - PFA
 - DCSF
 - Future net FUM growth tempered by wind up of syndicates and liquidity events for funds
- Long leased assets has been a key criteria applied to acquisitions. Examples of long lease asset acquisitions:
 - Coles HQ (DOF) – 13 years
 - 105 Phillip St (DOF) – 12 years
 - Port Adelaide (PFA) – 15 years
 - Inghams SA (DIF4) – 23 years
 - JBS Meats (DIF4) – 12 years
 - CLP (DIF4) – 9 years
 - WOW Dandenong (DIF3) – 20 years
 - Aurizon (DOF) – 12 years
 - WSU (DOF) – 15 years
 - Bunnings Burnie (DCSF) – 9 years

Fund Performance

Above benchmark performance achieved across the majority of Direct funds



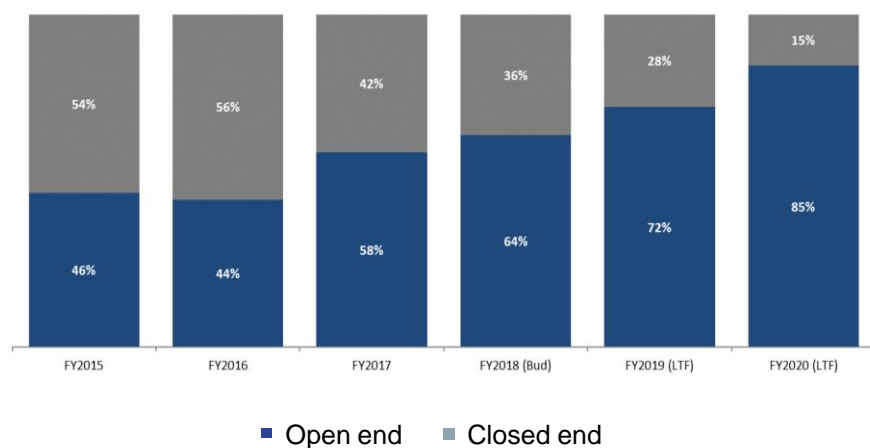
Adviser Friendly Product

Fund series now set up for the “Many to one” benefits of distributing through financial advisers

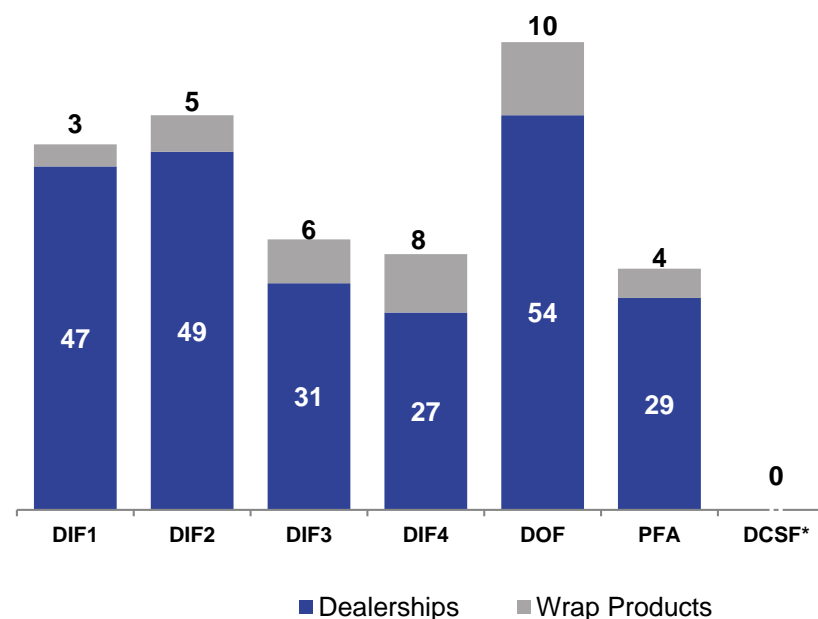
Why Charter Hall Direct open funds are more suitable for advisers?

- Advisers margins are under pressure - product needs to be easily accessible and scalable
- Administration Platform friendly – Mac Wrap, BT Wrap, Panorama, Colonial First Wrap etc.
- More SMSF Advised and Direct investors using platforms to administer investments
- The nature of “Direct Investors” is that they like to spread their investments across products – CHC open ended products will allow this

Direct FUM composition – open end vs closed end funds



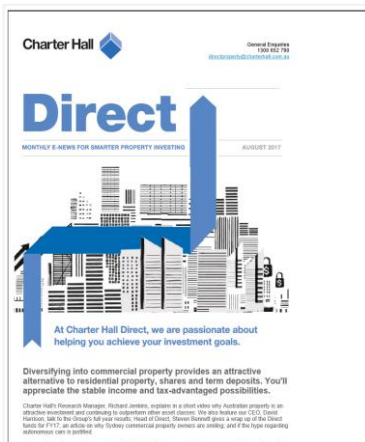
Approvals by dealerships and wraps



Direct (Unadvised) Investors – Digital increasingly important

Marketing efforts focused on continuing to leverage Direct's market leading brand position

- Spend focused across digital, print, events, research and PR
- Customer insights gained from digital footprints left by investors - allowing greater focus of marketing efforts
- Continuing initiatives including educational videos, sponsorship and leverage of SMSF Association, one to many “face to face” events
- New digital initiatives – online virtual community, online applications, launch of new Fund Centre Tool



Have a minimum of \$20,000 to invest?
Calculate your possible returns here

☐ Individual ☒ Superannuation (SMSFs) ☐ Pension

Enter Investment Amount:
\$50,000

To help calculate your post tax return please tell us your income bracket

☒ \$0 - \$18,200
☐ \$18,201 - \$37,000
☐ \$37,001 - \$87,000
☐ \$87,001 - \$180,000
☐ \$180,000 and over

Please read this important information prior to using this calculator.

	DOF	DI-4
Post Tax Yield (p.a.)	6.25%	6.5%
Post Tax Return (p.a.)	\$2,547	\$2,640

[Send me details](#) [Send me details](#)

Office Market Update

Adrian Taylor, Group Executive – Office

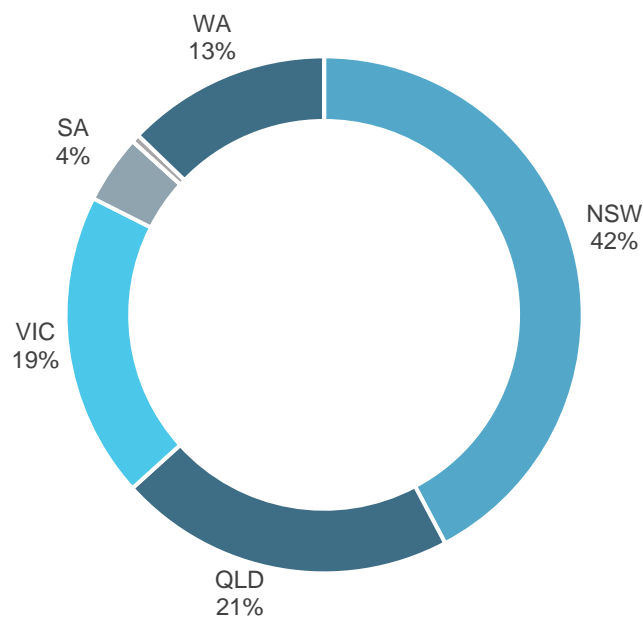
Artist impression of 11 Breakfast Creek Road, Newstead QLD



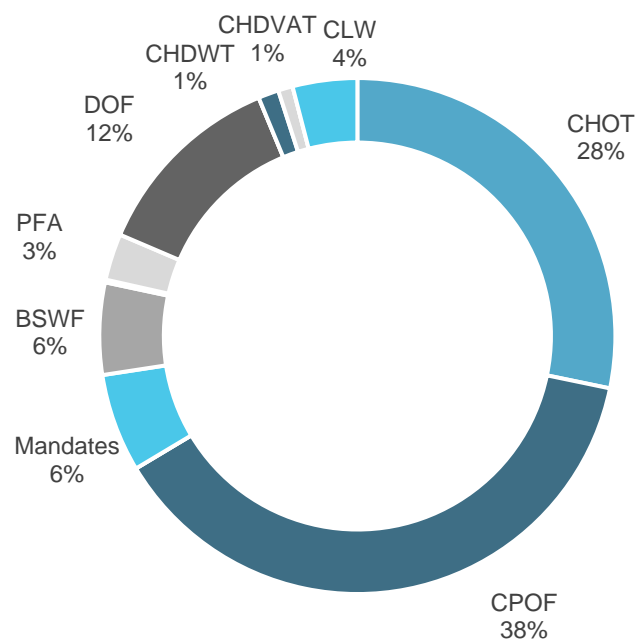
Office Funds Management Portfolio

	Portfolio Value (\$bn)	Portfolio Size (000 sqm) ¹	No. of Assets	No. of Tenant Customers ¹	WALE ¹ (years)	Occupancy ¹ (%)	WACR ¹ (%)
30 Sep 17	9.2	989	50	470	6.5	98.5%	5.87%

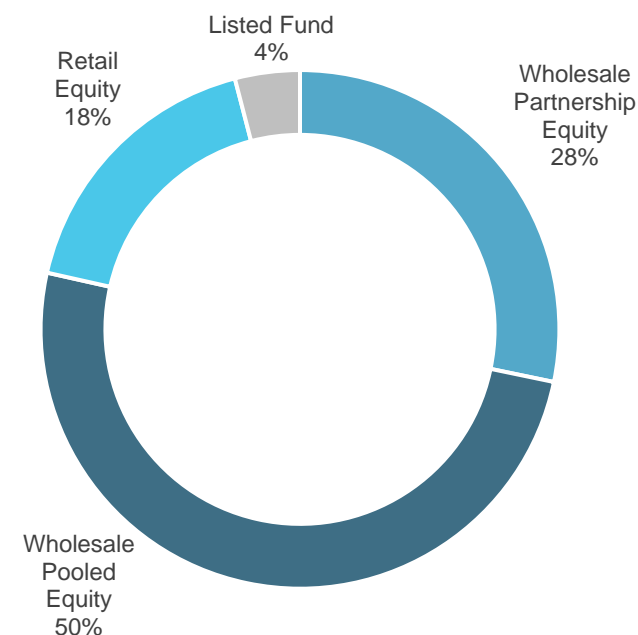
Diversification by Geography¹



Diversification by Fund



Diversification by Equity Source



1. Data as at 30 June 2017

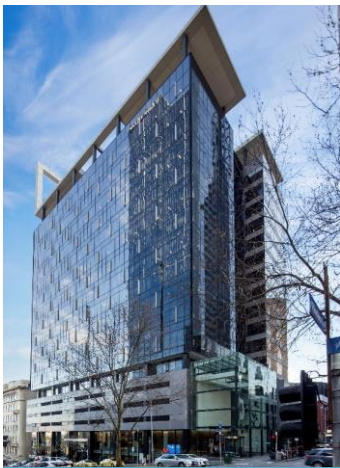
Charter Hall Managed Office Property Platform

Office Investment Management is a core competency with integrated capability in capital cities

88 real estate professionals



9 Castlereagh St, Sydney NSW



11 Exhibition St, Melbourne VIC

Office Managed Funds



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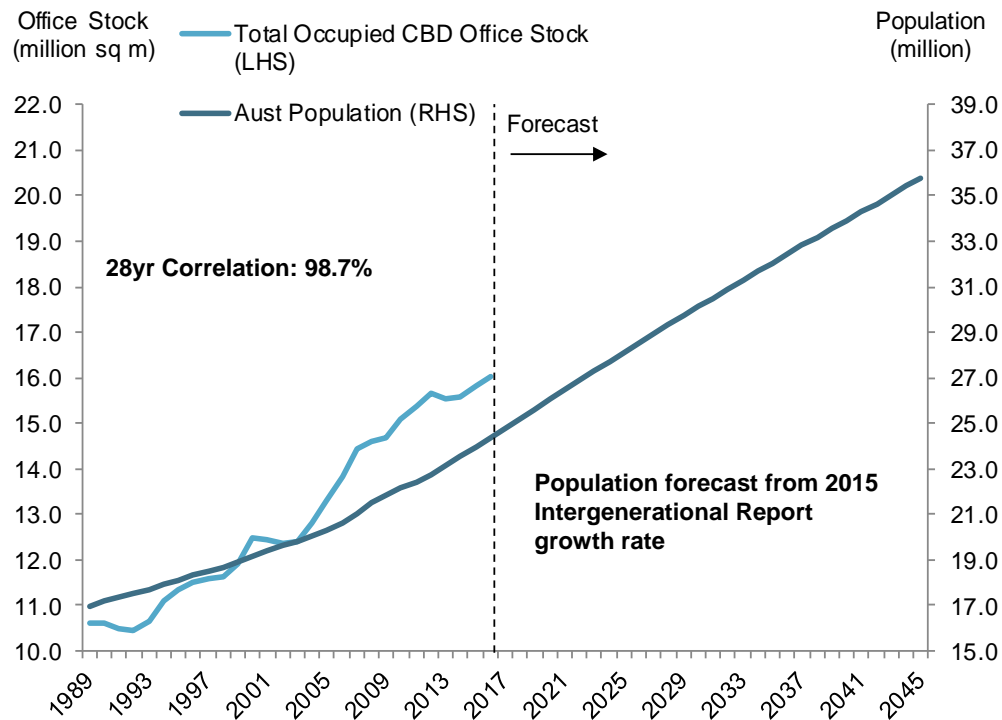
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Favourable Office Market Outlook

Population has been the primary driver of tenant demand, with a very strong outlook

- While peaks and troughs emerge from economic cycles, occupied office stock is fundamentally driven by Australia's total population level
- The 2015 Intergenerational Report forecasts Australia's population to reach 37.8 million by 2050. This rate of growth should see tenant requirements rise by approximately 4.3 million square metres during the next 20 years



Strong population growth

+

Improving employment fundamentals

+

Positive effective rental growth and fundamentals

+

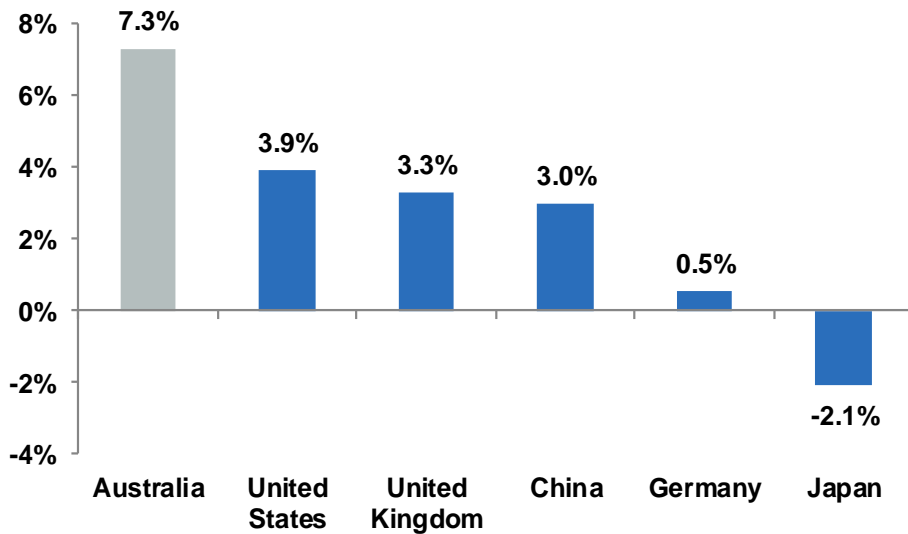
Strong investment demand for prime grade assets

Office Macro Drivers Favourable

- Employment and population growth forecasts exceed other developed economies
- Over the year to Jun-17, 175,400 full-time jobs were created across Australia
- Australian job ads as at Jun-17 risen to their highest level since Aug-12. The number of professional job ads for WA and QLD have increased to 2-year and 5-year highs respectively

IMF Population Growth Projections (2017-22)

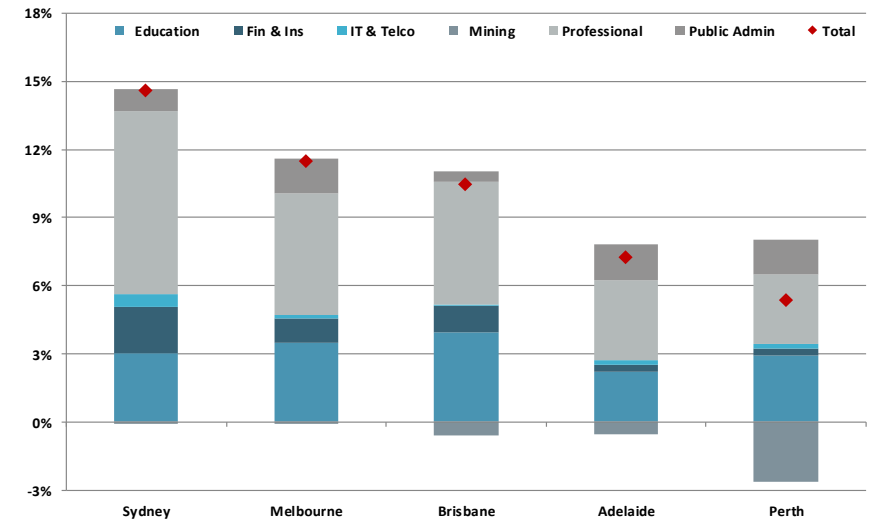
Australia is growing faster than comparable investment countries



Source: ABS, IMF, Charter Hall Research

White Collar Employment Growth by City & Sector (2016-2021)

White collar employment healthy across Australian capital cities



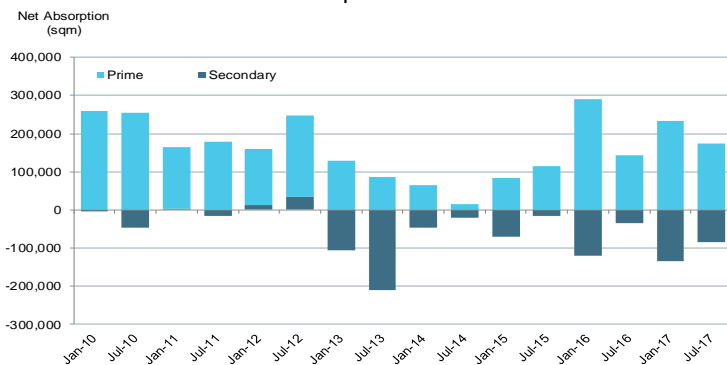
Source: ABS, DEEWR, Charter Hall Research

Office Fundamentals Favourable

- Secondary CDB occupancy has contracted for the past five consecutive years as tenant focus on buildings with quality internal facilities and technology continues to drive demand of new developments
- Upcoming supply levels moderating in comparison to previous 10 years
- Australian CBD office market to contract in size in 2017 – the first time since 2001 as a result of the increased levels of withdrawals

Premium & A-Grade offices have dominated Net Absorption

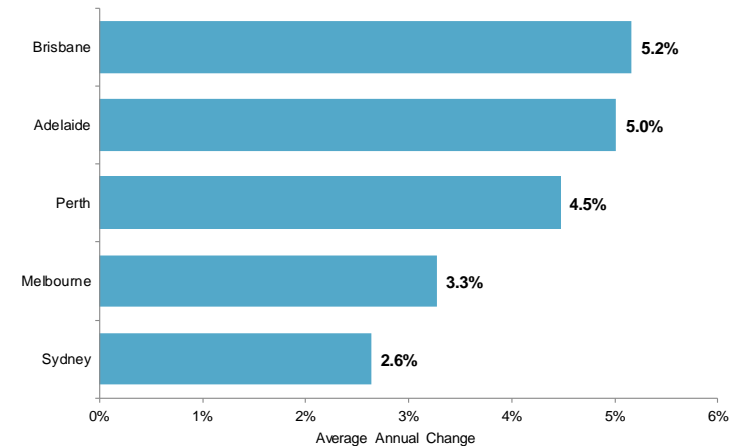
Australian CBD office net absorption



Source: PCA, JLL Research, Charter Hall Research

Australian CBD Office Rent Forecast 2017-2026

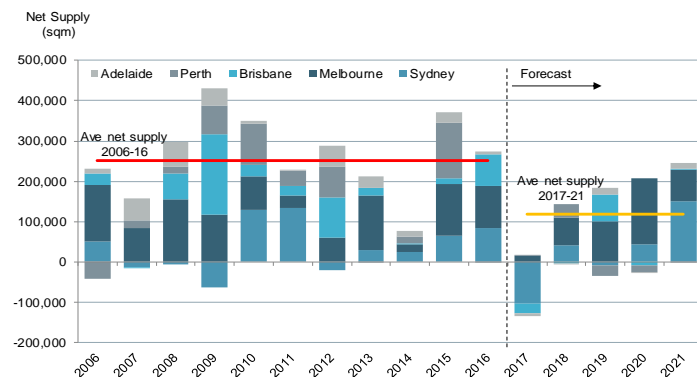
Brisbane to lead all markets over the next 10 years



Source: JLL Research, Charter Hall Research

Upcoming supply levels moderating

Net Australian CBD office supply 2006-2021



Source: PCA, JLL Research, Charter Hall Research

Recent Office Transactions

- Office acquisitions typically demonstrate strong tenant covenants, long leases, strong fixed rent reviews and lower capex
- 15 non-core office assets sold in FY16/17 to enhance portfolio quality



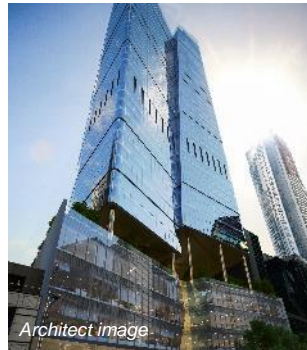
Acquisition:
**1 Shelley Street,
Sydney NSW**

- Acquired on-market in Jul-16 in 50/50 JV with Morgan Stanley on 5.5% market cap rate
- 7.5 yrs WALE, 4.0% fixed review
- Prime island site benefiting from amenity immediately adjacent Barrangaroo and significantly under-rented



Acquisitions:
**105 Phillip Street,
Parramatta NSW**

- Acquired on initial yield of 5.30% in July 2017
- Pre-committed to Department of Education for 12 years with 3.75% annual reviews from below market starting rent



Acquisition:
**370 Queen Street,
Brisbane QLD**

- Amalgamated 3 sites off-market in Aug-17 and formed 50/50 JV with Investa Commercial Property Fund
- Rare Golden Triangle development site accommodating ~45,000sqm with completion from mid 2022 (end value ~\$500 million 100% interest)



Acquisition:
**990 La Trobe Street,
Melbourne VIC**

- Acquired off-market in Aug-17
- WALE 10.0 yrs, to Melbourne Water
- Initial yield of 5.53%, fixed 4.0% review pa



Disposal:
**109 St Georges Tce,
Perth WA**

- Sold via on-market campaign in Sep-17
- Sale Price \$71.77m (\$5,167/sqm) with 1.4 yr WALE and vacancy approaching 80% with major upgrade required

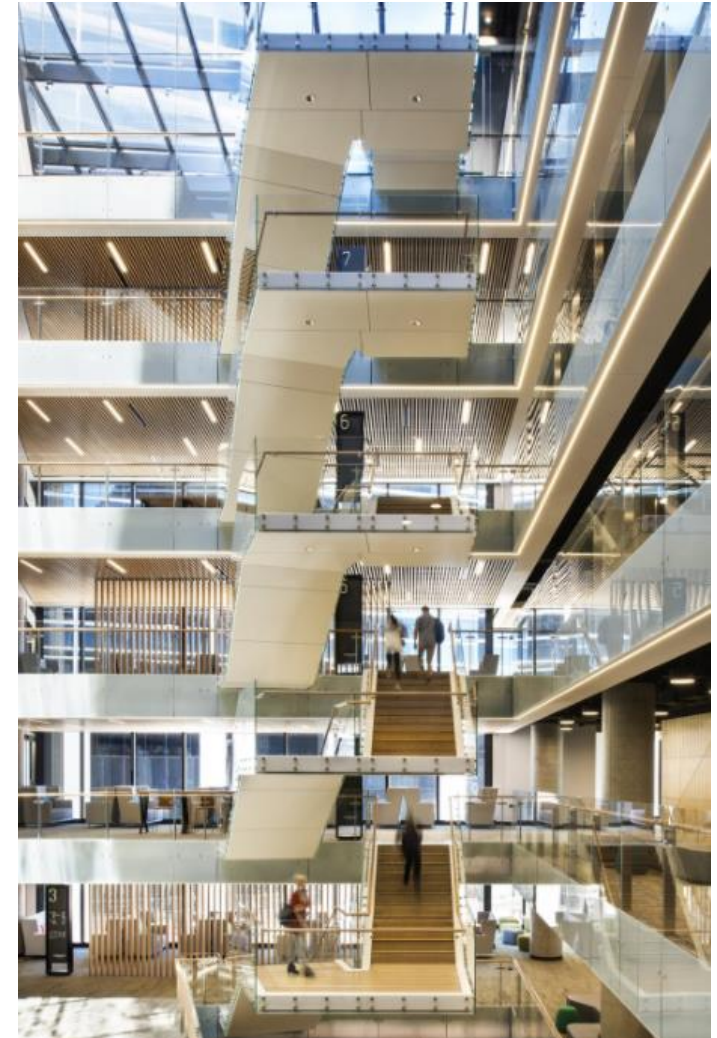


Disposal:
**97 William Street,
Adelaide SA**

- Sold via on-market campaign in Nov-16, 20% premium to book value
- The asset required significant capital to the heritage façade within the next 3 years

Charter Hall Integrated Development Capability

- Strong track record creating and delivering world class office projects
 - 360,000sqm of NLA across 14 projects developed to date
- Pipeline of ~\$2.35 billion across 9 assets which will create ~265,000sqm of total lettable area
- Attractive stage in cycle to use active skills to create core assets
 - Access to assets in highly contested Eastern seaboard markets
 - Attractive return enhancement through accretive yield to cost metrics and reduced transaction costs
 - Aid portfolio construction and geographic diversification (modern assets, low capex, long WALE, strong reviews)
- As all development activities are undertaken by our Funds in their own capacity, development profits are earned by the Fund investors which helps attract capital



1 Parramatta Square Video



Development Committed & Pipeline ~ \$2.35bn, ~265,000sqm

Focus on creating build to core opportunities

FY 2018		FY 2019		FY 2020+				
								
900 Ann Street, Fortitude Valley (Brisbane) QLD	105 Philip Street, Parramatta (Sydney) NSW	Raine Square, Perth WA	GPO Exchange, Adelaide SA	130 Lonsdale Street, Melbourne VIC	11 Breakfast Creek Road, Newstead (Brisbane) QLD	140 Lonsdale Street, Melbourne VIC	Brisbane Square Tower 2, Brisbane QLD	370 Queen Street, Brisbane QLD
<ul style="list-style-type: none"> • Fund through development • Pre-committed to Aurizon on a 12 year lease 	<ul style="list-style-type: none"> • Fund through development • Fully pre-committed NSW government on 12 year lease 	<ul style="list-style-type: none"> • 15,000 sqm retail redevelopment underway 	<ul style="list-style-type: none"> • Lease agreed with South Australian government department for 12,188 sqm • Additional lease negotiations progressing 	<ul style="list-style-type: none"> • 100% interest • Lease negotiations well progressed 	<ul style="list-style-type: none"> • Prominent gateway building • In pre-commitment market 	<ul style="list-style-type: none"> • Completes precinct of 130 and 150 Lonsdale Street • In pre-commitment market 	<ul style="list-style-type: none"> • Marquee gateway site into Brisbane's most active district • In pre-commitment market 	<ul style="list-style-type: none"> • Aggregation of 3 sites & Golden Triangle • 50% interest

Note: Images shown on this slide are artist impressions

Tenant Customer Themes

Current feedback themes are summarised below, and are all underpinned by innovation:

1. **Employee Experience** should be part of the asset strategy – Service and the Physical space. Are we fostering a **connected community**? No one forgets the first visit to an Apple store, W Hotel, etc
2. **Flexibility** – in how tenants need space, leasing practices, (co-working, third space, etc)
3. **Wellness** – people go home feeling better than when they arrived at work – how are our assets contributing?
4. **Customisation** - Build the Internet of Workplace that recognises people and their needs
5. **Consistency** of service – across sector



Sustainability, Wellbeing, Community & Innovation



Charter Hall has **Australia’s largest Green Star footprint** with **178 Green Star Performance** ratings across operating assets, and **18 Green Star Design and As Built** ratings in our developments



National Average NABERS Weighted Rating		
	Energy	Water
Office	4.5	3.4



Charter Hall is a member of GRESB, with six funds responding in FY17. Existing funds **CHOT** and **CPOF** achieved **top quartile Green Star status** in FY16



Charter Hall has **four** registered International **WELL Building Projects**

INNOVATION



National FM contract
Driverless cars think tank
Customer lobby collaboration

COMMUNITY



OUR PEOPLE



OUR PLACES



OUR PARTNERSHIPS

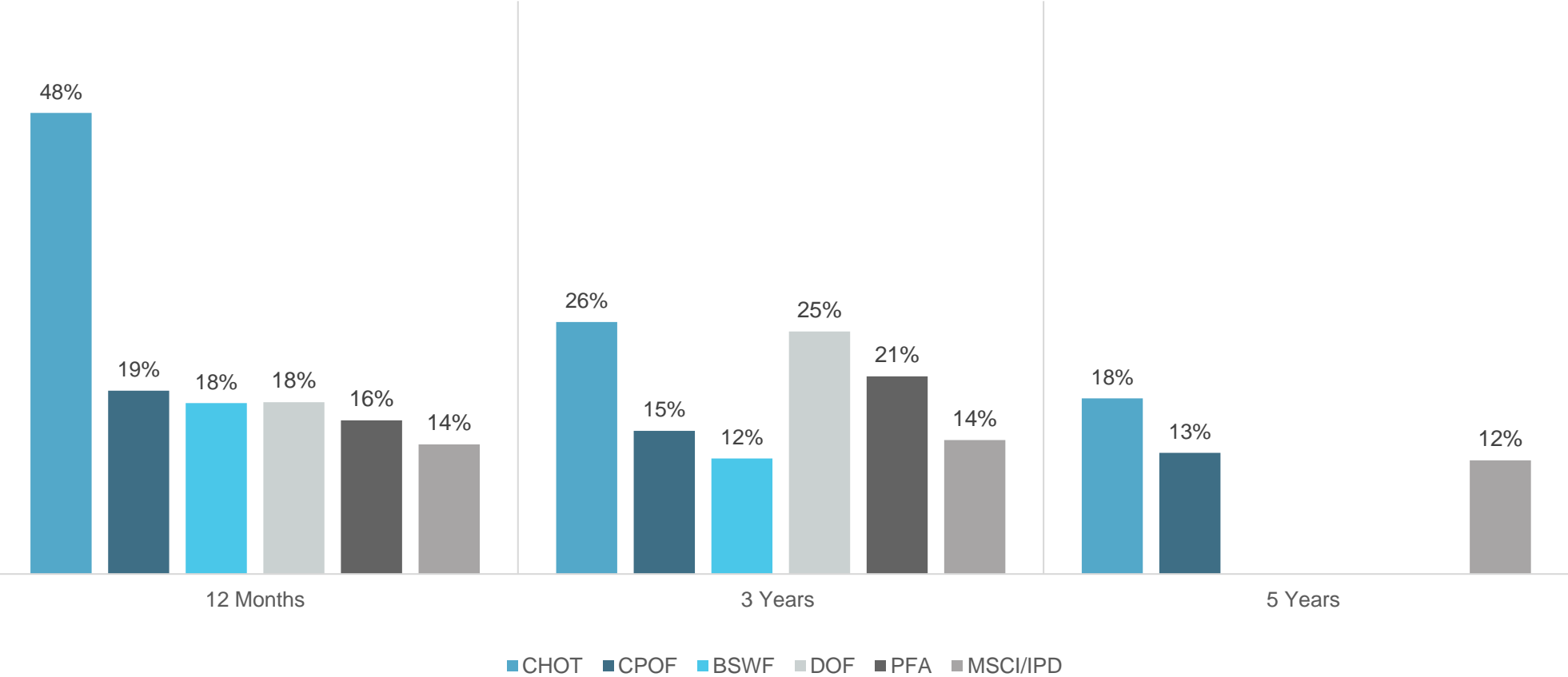
Flexispace

No. 1 Martin Place, Sydney and 570 Bourke Street, Melbourne



Office Funds Outperforming

- CPOF was granted inclusion into the IPD Core Office Index from July 2017
- CPOF was the highest performing multi-asset fund (all sectors) over 1,2 and 3 years and number two over 5 years
- If CHOT were in the Index, it would be number one performer over 1, 2, 3 and 5 years
- Syndicates and Mandates have consistently performed strongly



Note: Data on this page reflects the period up to 30 June 2017

Retail Market Update

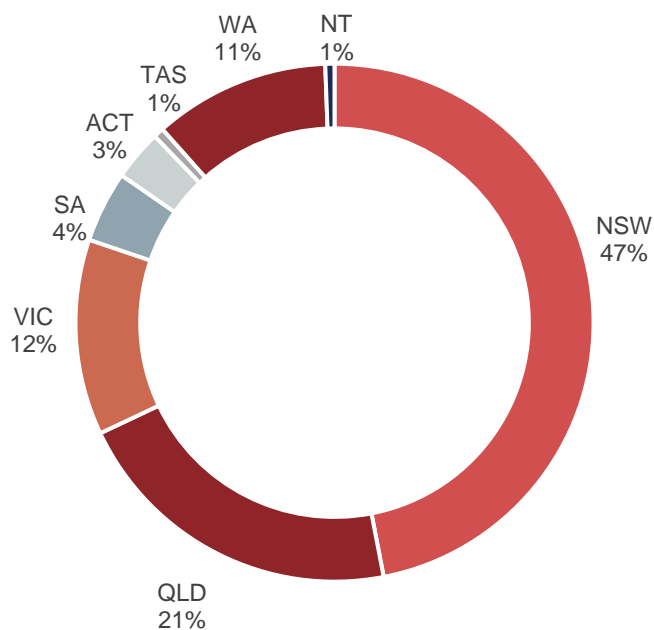
Greg Chubb, Group Executive - Retail



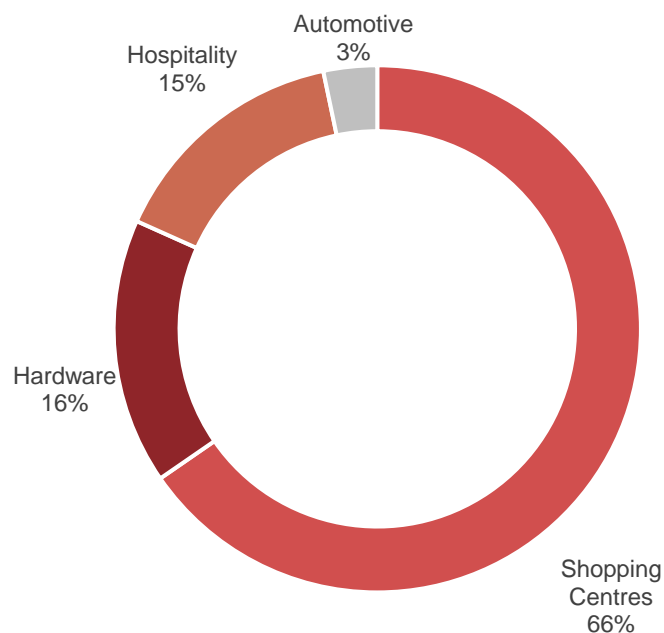
Retail Funds Management Portfolio

	Portfolio Value (\$bn)	Portfolio Size (000 sqm) ¹	No. of Assets	No. of Tenant Customers ¹	WALE ¹ (years)	Occupancy ¹ (%)	WACR ¹ (%)
30 Sep 17	5.9	1,228	173	2,030	8.5	97.5%	6.08%

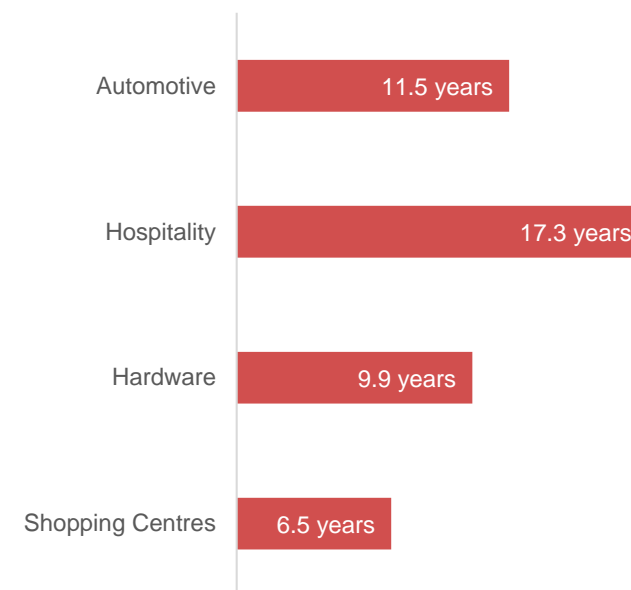
Diversification by Geography¹



Diversification by asset type



WALE¹ by asset type



1. Data as at 30 June 2017

Retail Managed Funds



Note Statistics on this page may not add due to rounding

1. CPOF holds 49.1% of the units in the Brisbane Square Wholesale Funds (BSWF)

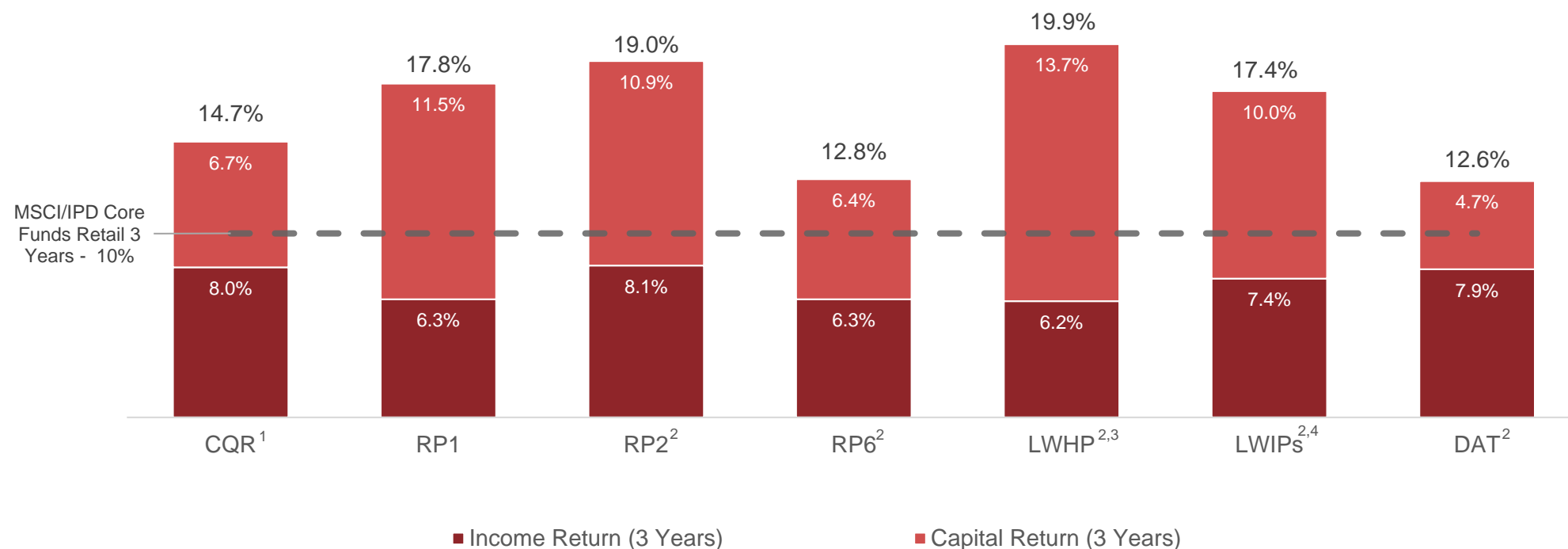
2. CQR holds 47.5% of the units in RP2

3. LWIPs include LWIP1 and LWIP2. CLW hold 45% of the units in LWIP1

4. Charter Hall Long WALE REIT (CLW) is a \$1.5bn listed REIT diversified across the Office, Industrial and Retail sectors

Retail Fund Performance

- The Retail portfolio continues to track strongly against the MSCI/IPD Index all Retail funds considerably outperforming the index over the three years to 30 June 2017 (or since inception)
- We continue to divest smaller assets with limited prospects for growth, reinvesting those funds into higher growth potential assets via both development opportunities and acquisitions



Note: Performance shown for the period 3 years to 2017 unless otherwise stated

1. CQR returns are calculated as distributions plus the uplift in Net Tangible Assets

2. Performance shown since inception as Fund has a track record of less than 3 years

3. LWHP represents the combined return for BP1, BP2 and TTP from the reset date of 31 December 2014

4. LWIPs represents the combined return for LWIP1 and LWIP2 since inception

Retail Strategy

Convenience and community focussed

VISION

The pre-eminent owner and manager of Australian long WALE and non-discretionary retail assets

Key Drivers

Active asset management

Strong tenant relationships

Catchment knowledge

Monitoring market trends

Pro-active leasing

Enhance portfolio quality

Selective acquisitions

Investing alongside our
capital partners

Strong track record of
value enhancing
redevelopments

Non-core disposal

Attract and retain talent

Centre centric approach

Employer of choice

Reward and recognition

Charter Hall Integrated Retail Platform

Focussed on convenience and community

- A fully integrated management structure, over 150 property professionals provide end-to-end retail tenant led solutions
- Specific focus on convenience based non-discretionary retail Australia wide
- Retailer sales driven operating platform connected specifically to local communities



It is only through continued interaction with our tenants that we develop a greater understanding of their businesses and customer needs

Our Sustainability Achievements

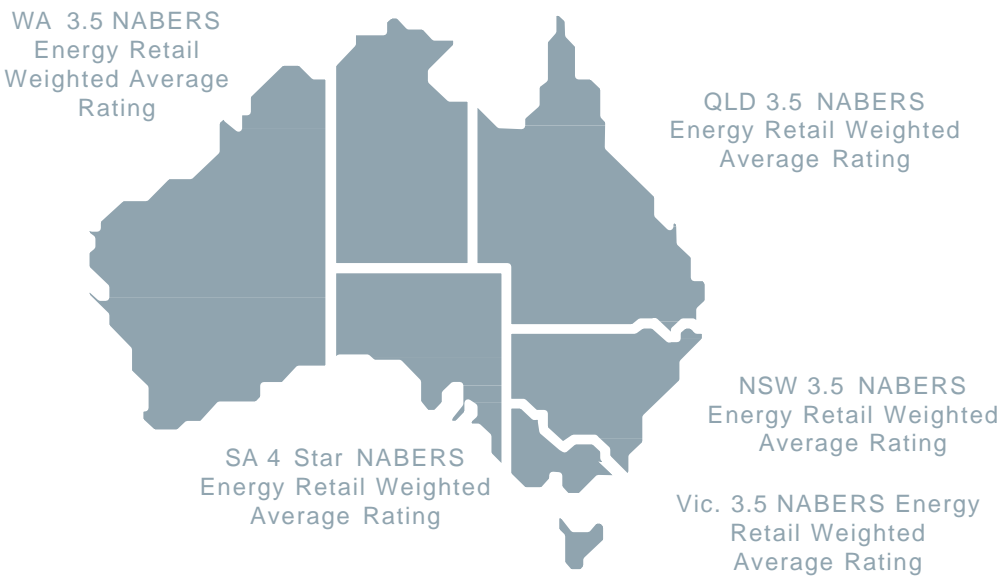
3.5 Star Average
NABERS
Energy Rating

62 Green Star
Performance Ratings

72 Climate Risk
Ratings

Inaugural
GRESB Rating

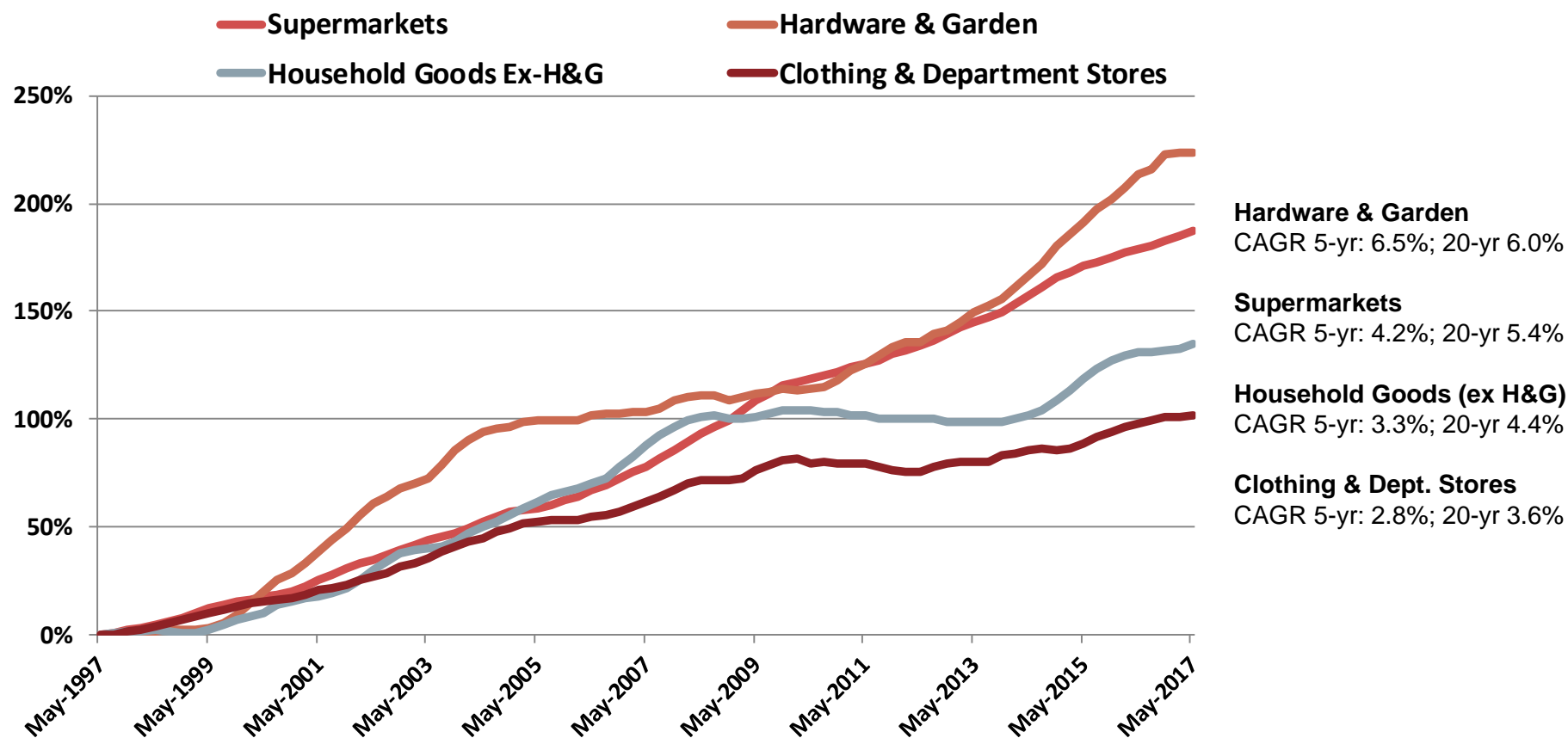
CQR NATIONAL 3.5 NABERS ENERGY RETAIL WEIGHTED AVERAGE RATING



- Energy pricing strategy delivering
- LED upgrades resulting in 1.469 GWh savings in energy
- 250Kwh solar system commenced at Singleton Square
- Investigating solar energy projects with the aim of concurrent rollout across 17 retail centres
- Energy contracts locked in until FY20

Retail Markets

- 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. Led by trade in supermarkets, non-discretionary retail spending has now overtaken discretionary retail spending over the year to May 2017

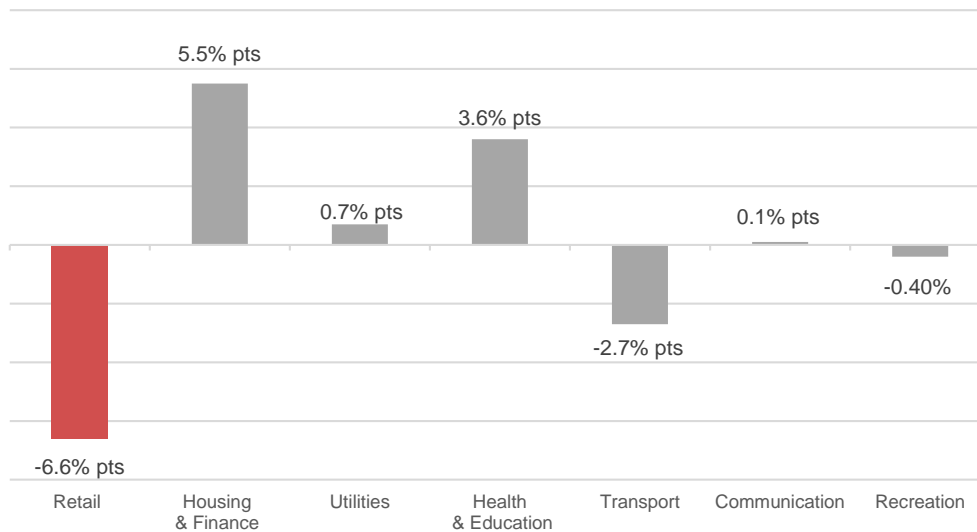


Source: ABS, Charter Hall Research

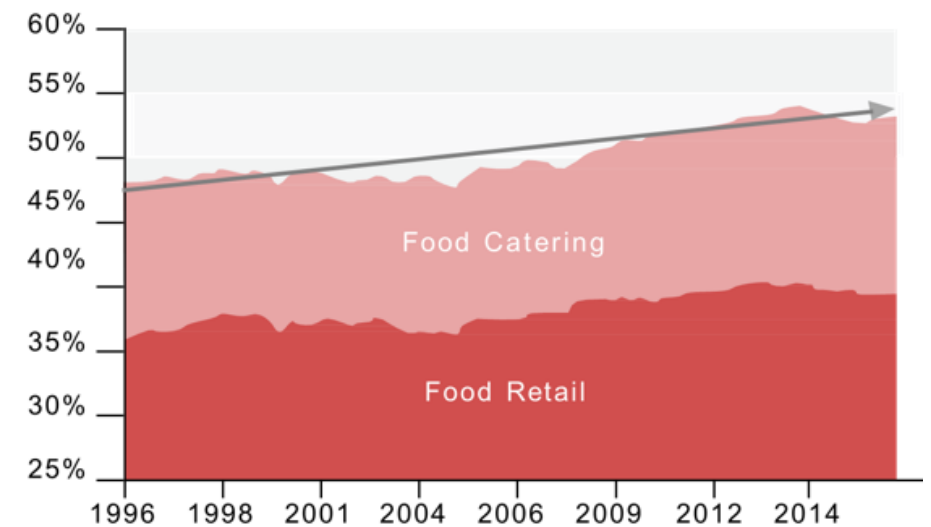
Changing Consumption Patterns

- Continued increase in consumption of food, retail and catering
- Strong performance from supermarkets continues
- Changes to specialty mix reflecting shift to food and services
- Convenience and community focus demonstrating retail resilience

20 Year Change in Household Consumption Basket



Food Share of Retail Turnover



Retail Case Study - Acquisition

Arana Hills Plaza, QLD

- Acquired by CQR in December 2016 for \$67.1m
- Subregional centre with total GLA of 16,406sqm, anchored by Coles, Kmart and Aldi with 23 specialty shops, 4 kiosks and service station
- The key features of the property include:
 - Located approximately 12km north-west of the Brisbane CBD on a prominent 5.61 hectare site with on-grade parking for 822 cars (over 5 per 100sqm of GLA)
 - Strong main trade area of 38,660 residents, forecast to grow at 0.9% p.a. for the next 10 years, with income per capita 7% above the Brisbane average, reflecting a large proportion of residents employed in white collar occupations
 - Anchor tenants on long leases, with strong sales performance (both Coles and Kmart MAT is above their respective turnover thresholds and growing)
 - Opportunities exist for additional income from introduction of a new car wash and 2 new pad sites, with terms agreed subject to planning approvals



	Acquisition
Value	\$67.1m
Core Cap Rate	6.00%
WALE	
- Whole Property	8.4 years
- Anchor Tenants	12.4 years
5 year NOI growth forecast	2.90%
Fully-Leased Market Net Income p.a. *	\$4.2m

* Includes \$0.3m additional income from ATM, car wash and pad sites



Retail Case Study – Development

Lake Macquarie Fair, NSW

- Integration of a small adjoining neighbourhood centre and Centre repositioning to increase GLA from 20,343sqm to 22,273sqm comprising:
- Replacement of Coles supermarket with a new full line 4,221sqm tenancy (exclusive of a 175sqm Liquorland)
- Refurbished and expanded mini-major of 643sqm
- Specialty tenant increase from 6,117sqm to 6,718sqm
- Project Completion anticipated in April 2018 following \$58.3m spend.
- Centre supermarket MAT in 2019 forecast at over \$93M
- Value at completion estimated to be \$142.2M

	Project Forecast
Project Cost	\$58.3m
Completion Date	April 2018
Incremental Income	\$3.3m
Year 1 Yield	6.96%
10 year IRR ¹	9.67%
Uplift on Book Value (\$)	\$7.0m
Cap Rate	6.50%



1. Fully leased IRR on project cost

Retail Case Study – Small Projects

Goulburn Plaza, NSW

- Acquired by CQR in August 2015 for \$67m
- Opportunity identified to reset the Coles lease and carry out an expansion of the supermarket by approximately 300 sqm
- The key features of the project included:
 - New lease with Coles for the expanded tenancy. Increase in Coles term of 10years. Full refurbishment of the Coles tenancy and relocation of Liquorland into an adjacent specialty tenancy
 - Improvement of tenancy mix through changes to Liquorland and relocation of Lowes into surrendered Dick Smith site
 - Ambience upgrade including toilet and parents room refurbishment; car park improvements to increase safety, lighting and accessibility; and external painting to entries and street facades
 - Works commenced in April 2016 and were completed by August 2016.

	Acquisition	Current
Value	\$67.0m	\$82.7m
Cap Rate	7.00%	6.00%
WALE	3.8 years	6.2 years
5 year NOI growth forecast	-	3.0%
Passing NOI	\$4.7m	\$4.9m



Industrial Market Update

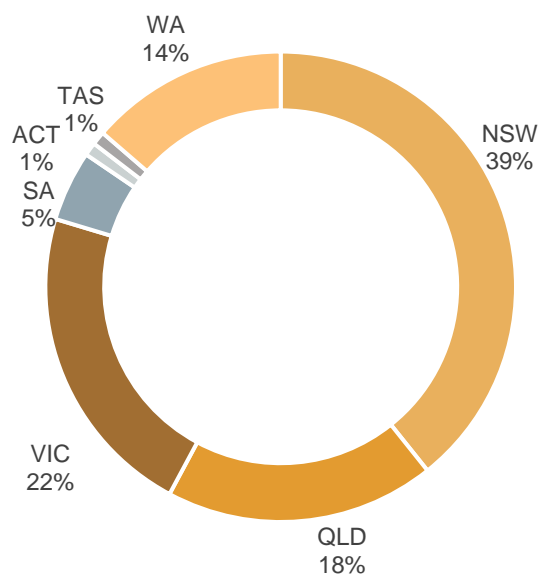
Sean McMahon, Chief Investment Officer & Group Executive – Industrial



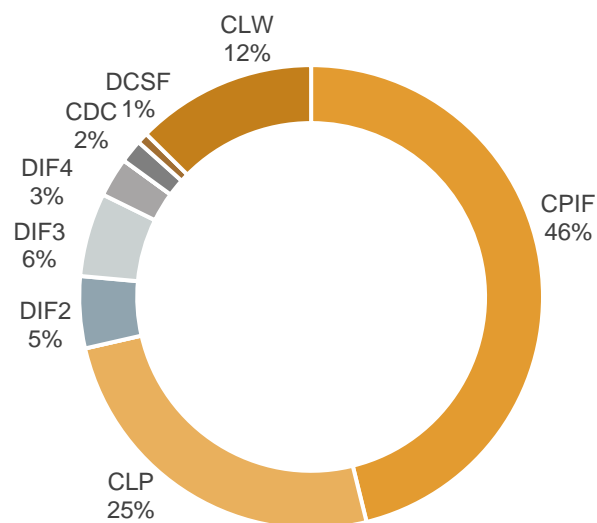
Industrial Funds Management Portfolio

	Portfolio Value (\$bn)	Portfolio Size (m sqm) ¹	No. of Assets	No. of Tenant Customers ¹	WALE ¹ (years)	Occupancy ¹ (%)	WACR ¹ (%)
30 Sep 17	5.3	2,840	111	158	9.2	97.4%	6.41%

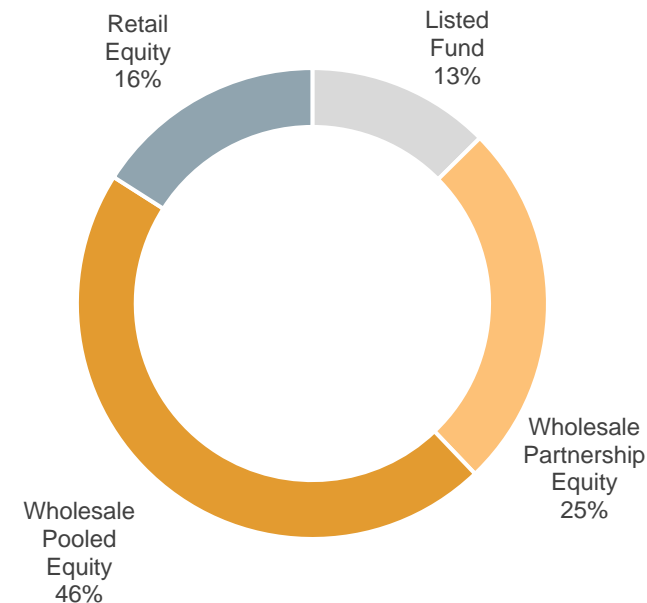
Diversification by Geography



Diversification by Fund

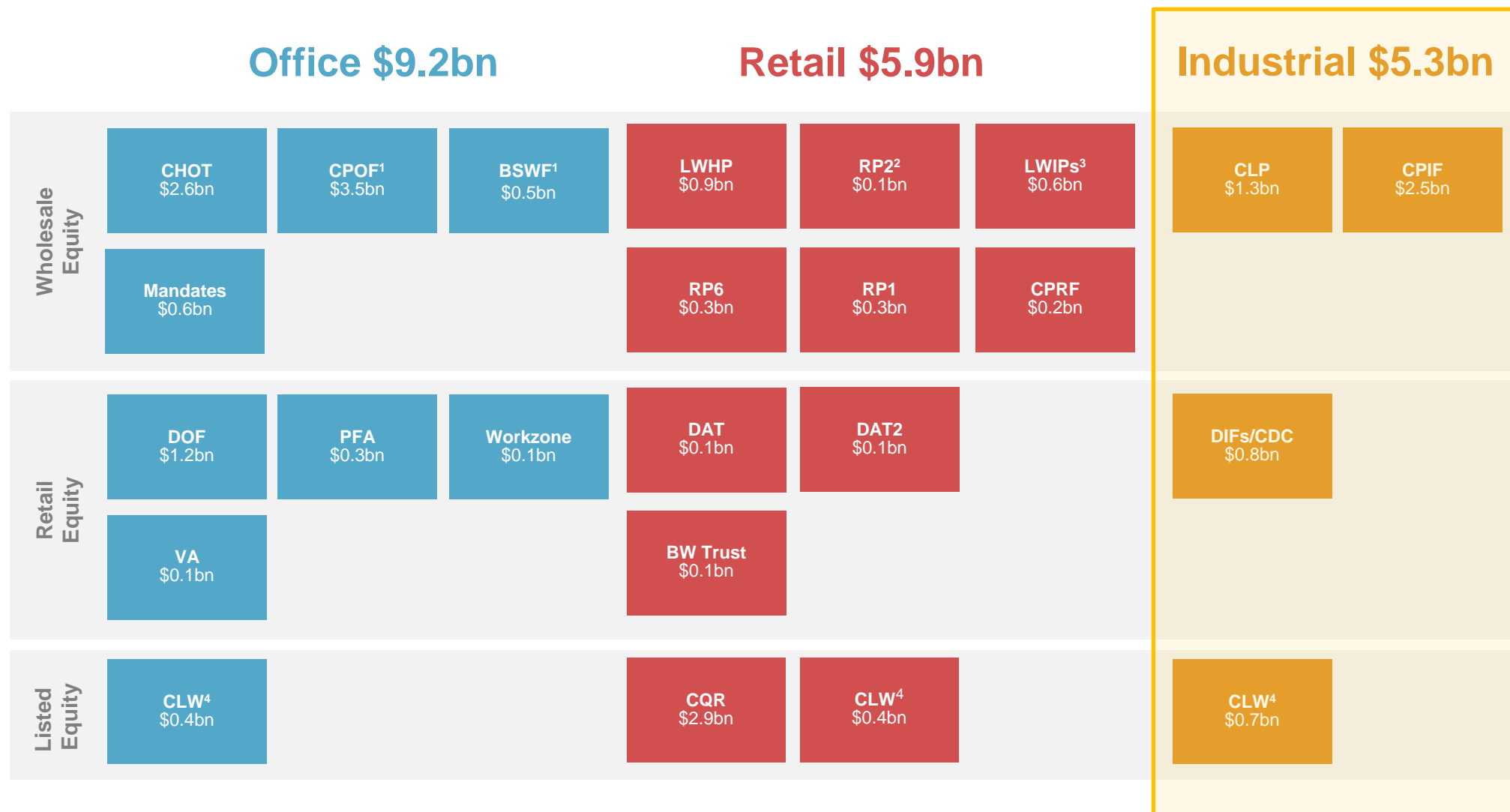


Diversification by Equity Source



1. Data as at 30 June 2017

Industrial Managed Funds

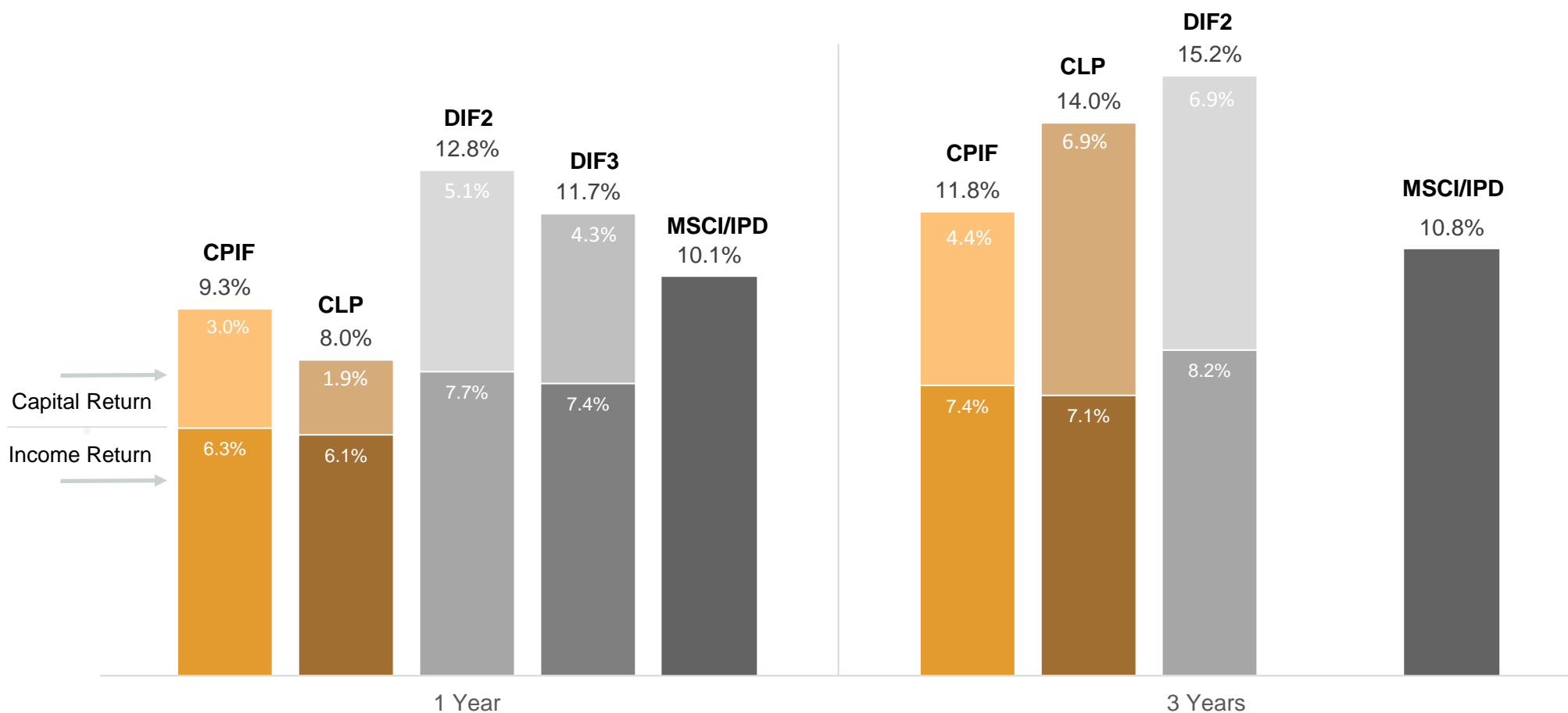


Note Statistics on this page may not add due to rounding

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4. Charter Hall Long WALE REIT (CLW) is a \$1.5bn listed REIT diversified across the Office, Industrial and Retail sectors

Industrial Fund Performance

- Charter Hall industrial funds have performed strongly over the past 3 years and continue to do so supported by solid economic fundamentals and long WALE leases to quality tenant covenants in key metropolitan locations within Australia
- A high proportion of total return derived from income, industrial assets offer an attractive proposition on a risk-return basis and a compelling case for allocation to investor portfolios

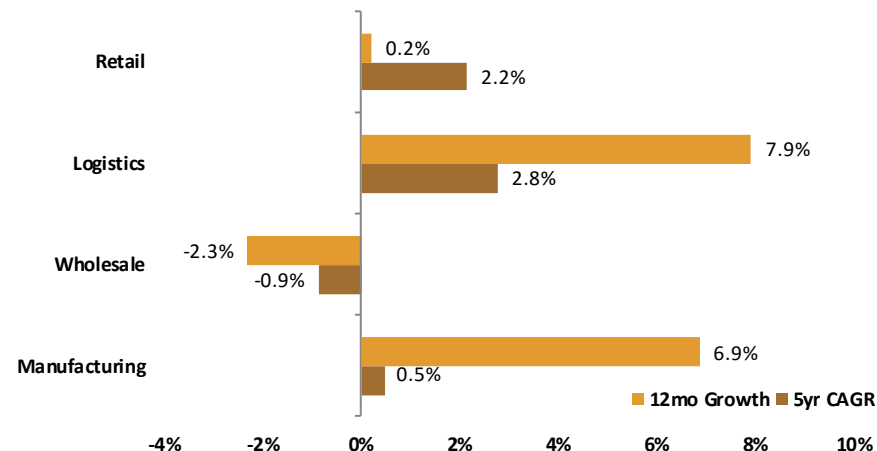


Note: Data on this page reflects the period up to 30 June 2017

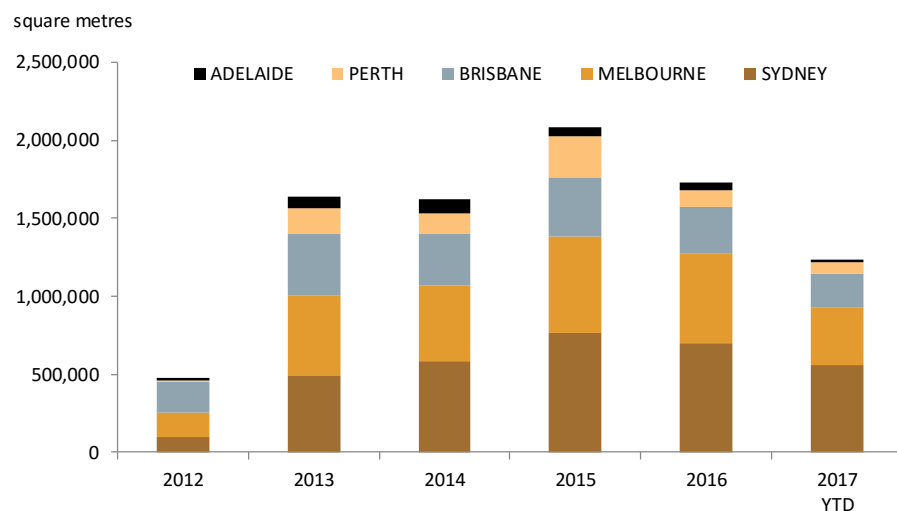
Industrial Market Update

- Industrial tenant demand continues to gather momentum with leasing activity totalling 2.22 million square metres over the 12 months to FY-17, up from 1.79 million square metres leased in FY-16
- Whilst investor demand for prime industrial assets remained strong, a lack of quality assets in prime locations has led to investors turning their attention towards core plus opportunities in the secondary market, leading to greater tightening in secondary yields

Corporate Revenue Growth in Key Sectors

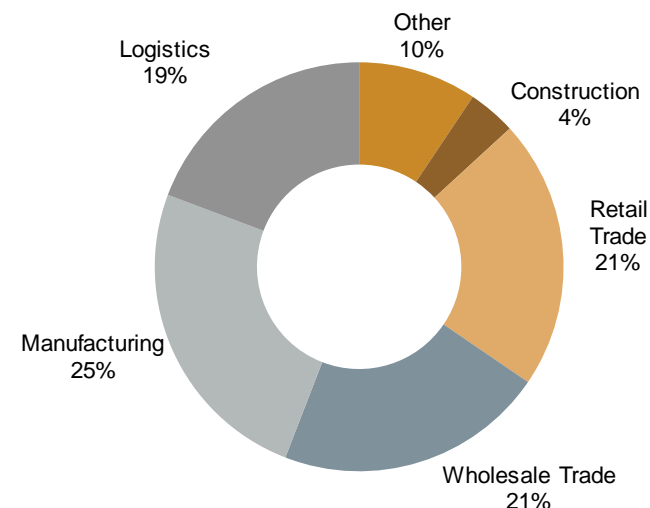


Major Industrial Leasing Activity



Source: JLL, ABS, Charter Hall Research

Industrial Leasing by Sector 2016Q2-2017Q2

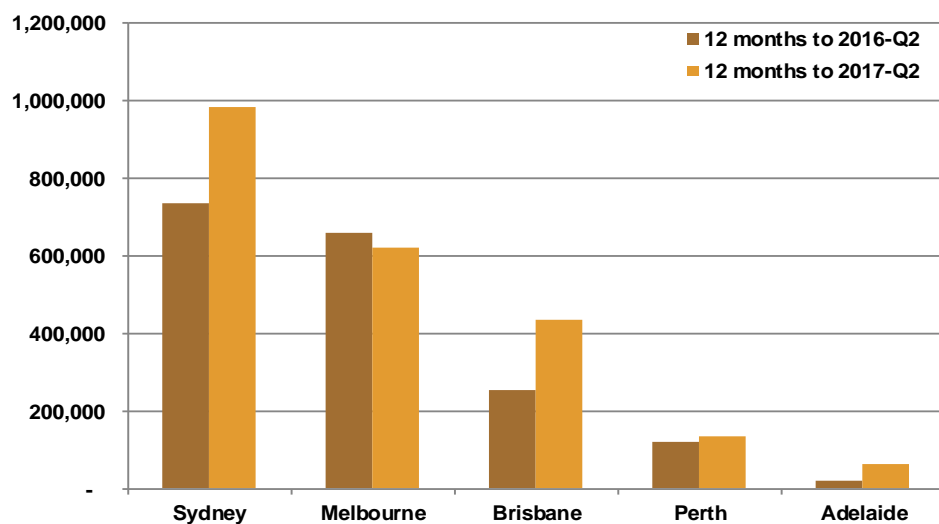


Industrial Market Update – Demand Analysis

Material uplift evident in the past 12 months

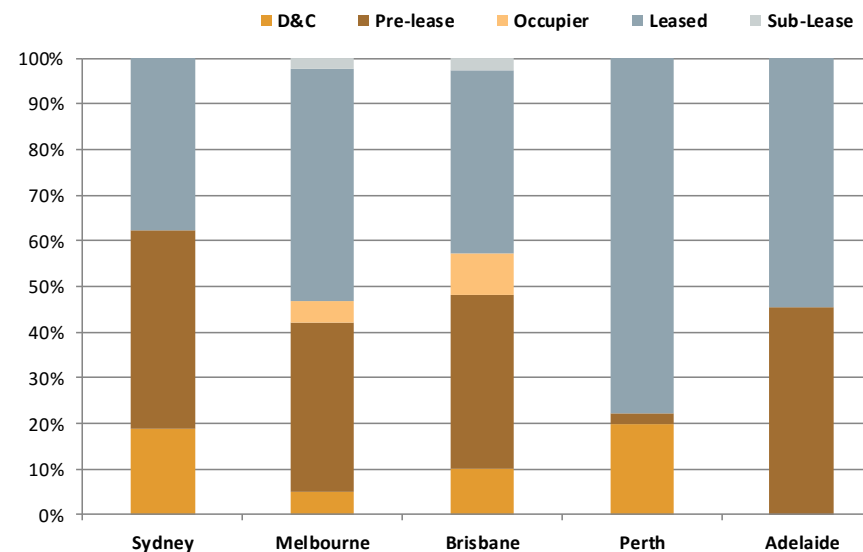
- Leasing activity in FY-17 was led by take-up in Sydney and Melbourne which accounted for 72% of take-up recorded nationally.
- In Q2-17, leasing activity in Perth increased to its highest quarterly level since Q4-2015. Brisbane and Adelaide industrial markets also recorded rises in industrial leasing activity over Q2-17.
- Wholesale, retail trade and logistics continued to drive industrial tenant demand, accounting for 61% of all leases signed in FY-17.

Major Industrial Leasing Activity 12 Month Comparison



Source: JLL, Charter Hall Research

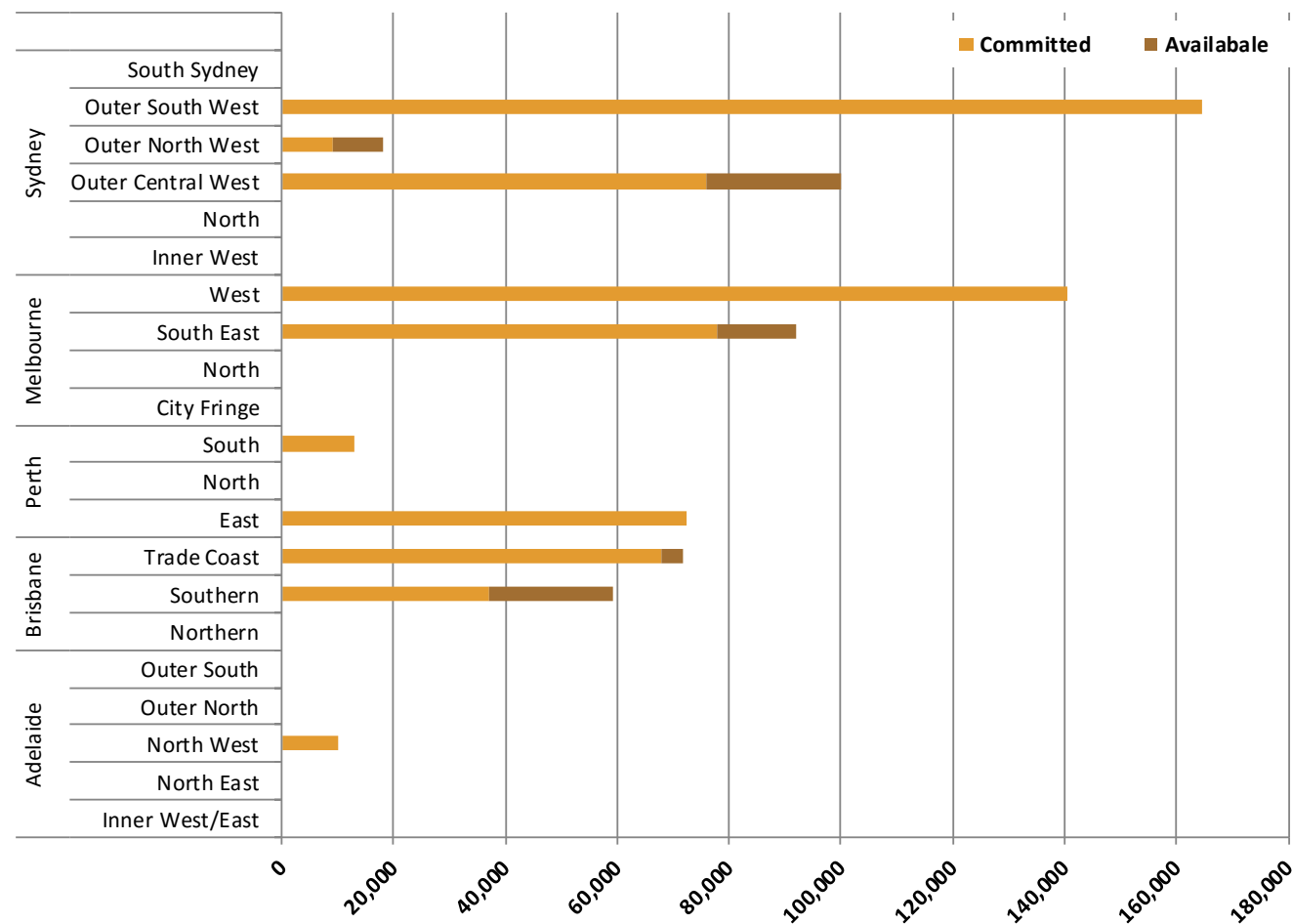
Major Industrial Leasing Activity by Type: FY-17



Industrial Market Update – Supply Analysis

Stock under construction presently low, with high commitment rate

- Of the industrial space currently under construction, 97% is being developed in Melbourne, Brisbane and Sydney
- Pre-commitment rates remain high, with less than 10% of space currently under construction available for lease



Source: JLL, Charter Hall Research

Industrial Sector Trends

Structural Adjustment

- ✓ Current levels of infrastructure investment and population growth support strong industrial sector expansion
- ✓ Old facilities are becoming obsolete or converted to residential creating further need for prime industrial stock
- ✓ Institutional grade industrial stock is anticipated to expand from circa \$35bn now to around \$55bn over 10 years

Technology Impact

- ✓ Automation is addressing rising labour costs, increased consumer volumes and supply / operational efficiencies
- ✓ E-commerce is creating demand for reduced delivery time, proximity to infrastructure nodes, warehousing capacity and landlord's ability to deliver broader integrated distribution network solutions

Partnering & Collaboration

- ✓ Tenant occupancy requirements are becoming increasingly complex, costly and wide reaching
- ✓ Tenants are seeking broader portfolio solutions to meet their logistical and business needs
- ✓ Landlord to play increasingly active role in assisting tenants with solving fit out cost and complexity, operational aspects and specialised nature of occupancies

Sustainability

- ✓ Trend driven by rising energy costs and energy usage, regulatory frameworks, organisational focus on sustainability by tenants themselves and economic viability of ESD technology
- ✓ Sustainability activities to reduce environmental footprint are now not only socially but economically viable
- ✓ Knowledge and readiness to implement best practice initiatives will offer a competitive advantage to landlords



Charter Hall Approach

- Charter Hall is well positioned to capitalise on these evolving trends
- Multi-sector relationship with key major tenants are enabling early phase discussions on future logistics occupancy and financing requirements as part of broader business solutions
- Targeting replenishment of CPIF's land banks to capitalise on tenant new build occupancy requirements
- Strong origination capabilities to source strategic assets off-market that will capitalise on the extensive national infrastructure pipeline
- Increasingly leveraging our office and industrial sustainability knowledge to deliver our tenants cost efficiencies that economically and socially meet the organisations broader sustainability objectives
- Future proofing of development projects to meet growing sustainability requirements

Charter Hall's Major Cross Sector Tenant Customer Relationships



Overview of Wesfarmers Subsidiary Leases

Sector	Area	Tenancies
	(000's sqm)	(#)
Retail	462	99
Industrial	282	6
Office	42	4
Total	786	109



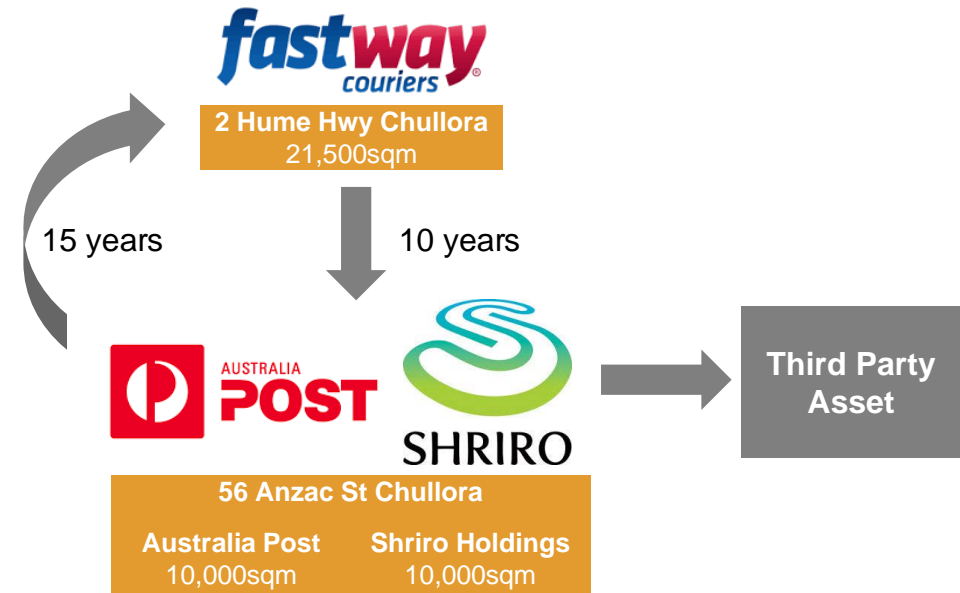
Overview of Woolworths Group Subsidiary Leases

Sector	Area	Tenancies
	(000's sqm)	(#)
Retail	470	136
Industrial	247	6
Office	1	1
Total	718	143

Tenant Customer Case Study

Challenge

- 1 21,500sqm facility was being developed at CPIF's 2 Hume Hwy Chullora for Fastway Couriers on a 10-year pre-lease
- 2 Australia Post, CPIF's tenant at the nearby 56 Anzac Ave Chullora occupying 10,000sqm on a one-year lease, had a requirement for a new 20,000sqm facility on a 15-year lease
- 3 Shriro Holdings also occupied 10,000sqm at 56 Anzac Ave on a 1-year lease



Solution

- A Move Australia Post to 2 Hume Hwy into the facility being developed for Fastway Couriers
- B Move Shriro out of 56 Anzac St to another facility
- C Move Fastway Couriers into 56 Anzac St across 20,000sqm by joining the two tenancies previously occupied by Australia Post and Shriro

Outcome

- ✓ Creation of value uplift via a significantly longer WALE across the two assets
- ✓ Increased CPIF exposure to long Government tenancy
- ✓ Demonstrated ability to partner with tenant customers assisting with future pre-leasing activity

A detailed map of Sydney, Australia, highlighting toll roads in green. The map includes major highways (grey lines) and tollways (green lines). Key locations marked with orange circles include: 36 Huntingwood Drive, Huntingwood; 300 Victoria Street, Wetherill Park; 290 Kurrajong Road, Prestons; 2 Hume Highway, Chullora; Warringah Road, Frenchs Forest; and 369 New South Head Road, New South Head. Other locations marked include Badgerys Creek Airport, Moorebank Intermodal, Sydney CBD, Sydney Airport, and Botany Port. The map also shows various toll roads: M2 Hills Motorway, M4 Western Motorway, M5 South-West Motorway, M1 Pacific Motorway, M31 F5 Hume Highway, and Westlink M7. Key infrastructure like the Lane Cove Tunnel, Harbour Bridge, Harbour Tunnel, Military Rd E-Ramp, Cross City Tunnel, and Eastern Distributor are also labeled. A legend at the bottom identifies symbols for Highway, Highway Tunnel, Tollway Interchange, Tollway, and Tollway Tunnel.

- 58

Capital Market Update

Russell Proutt, Chief Financial Officer



No.1 Martin Place, Sydney NSW

Capital Deployment

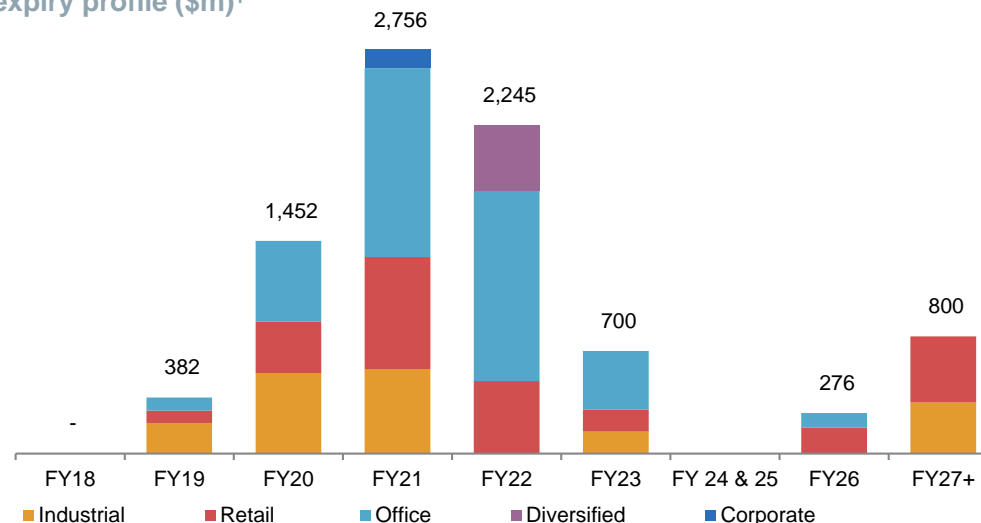
- Deployment of the May 2017 equity raise continues to be ahead of schedule with \$250m deployed into identified investments.
- Notably since the announcement of the FY17 Results Charter Hall:
 - Deployed \$30m into the LWHP to help fund the acquisition of 6 former Masters assets
 - After extensive due diligence made the decision not to proceed with the CPRF acquisition, sourcing alternatives

Sector	Investment	Size	Indicative timing	Update
Industrial	Charter Hall Prime Industrial Fund (CPIF)	\$20m	Q3 FY17	Deployed
Industrial	Direct Industrial Fund No. 4 (DIF4)	\$30m	Q4 FY17	Deployed
Office	Brisbane Square Wholesale Fund (BSWF)	\$95m	Q4 FY17	Deployed
Office	Charter Hall Prime Office Fund (CPOF)	\$30m	Q4 FY17	Deployed
Diversified	Direct Consumer Staples Fund (DCSF)	\$25m	Q4 FY17	Deployed
Office	Charter Hall PFA Fund (PFA)	\$10m	Q4 FY17	Deployed
Retail (Liquor)	Long WALE Investment Partnership (LWIP)	\$10m	Q1 FY18	Deployed
Retail (Hardware)	Long WALE Hardware Partnership (LWHP)	\$30m	Q1 FY18	Deployed
Total identified investment opportunities deployed / committed		\$250m		
Retail (Shopping)	Charter Hall Prime Retail Fund (CPRF)	\$41m	Q1 FY18	Not proceeding
Office	Counter Cyclical Trust (CCT)	\$25m	During FY18	Sourcing Acquisitions
Retail (Shopping)	Retail Partnership No. 6 Trust (RP6)	\$17m	During FY18	Sourcing Acquisitions
Total identified investment opportunities with an indicative investment timing during FY18		\$83m		
Total identified investment opportunities		\$333m		

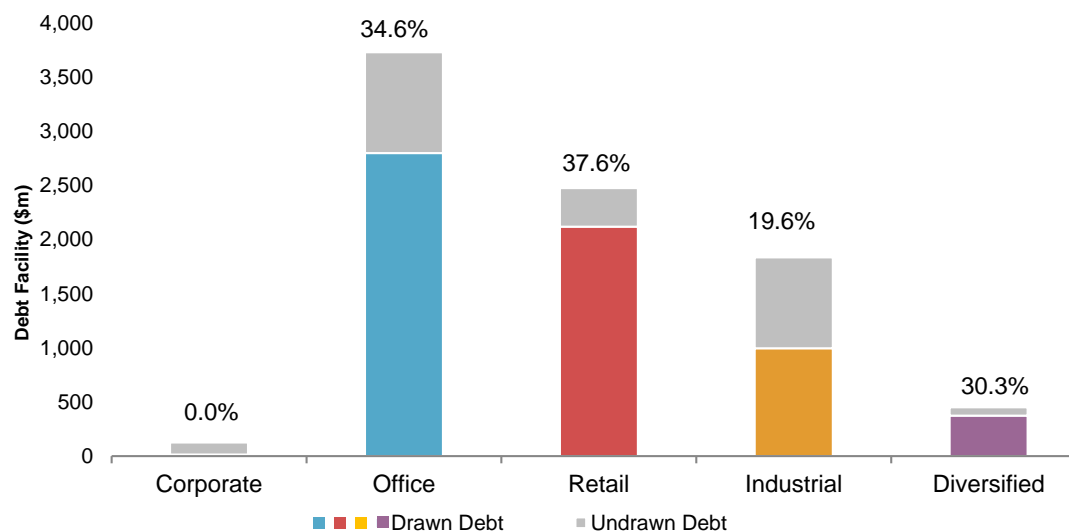
Capital Management Priorities

- Diversification (ongoing)
- Expanded access – ability to source volume
- Support the growth of FUM and platform
- Conservative financing profile
 - Low gearing
 - Headroom to covenants
 - Manageable maturity profile
- Ongoing focus on risk and controls

Debt expiry profile (\$m)¹



Drawn Debt (\$m) and Gearing (%) by Sector¹



1. Debt expiry profile and gearing as at 30 June 2017

Group Outlook

David Harrison, Managing Director & Group CEO

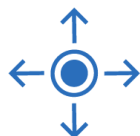
Our Strategy

We use our property expertise to access, deploy, manage and invest equity in our core real estate sectors – office, retail and industrial – to create value and generate superior returns for our customers.



ACCESS

Accessing equity from wholesale, retail and listed investors.



DEPLOY

Creating value through attractive investment opportunities.



MANAGE

Funds management, asset management, leasing and development services.



INVEST

Investing alongside our capital partners.

FY18 YTD	\$176m gross equity raised Direct equity raising Launched Charter Hall Direct PFA fund DOF open for new raising DCSF launch imminent Wholesale equity raising Re-opening pooled funds	\$1.1bn gross transactions \$0.8bn acquisitions \$0.3bn divestments Strong development activity - \$2.0bn of development projects underway	\$20.4bn ↑ 3% FUM FUM Movement \$455m net acquisitions \$70m development capex \$40m revaluations	\$1.6bn ↑ 3% Co-invested in a new direct fund – Direct Consumer Staples Fund
1 YEAR¹	\$2.3bn gross equity raised	\$5.2bn gross transactions \$3.0bn acquisitions \$2.3bn divestments	\$2.4bn FUM growth 329 assets	\$430m increase in PI² 39% growth 19.8%³ Total Property Investment Return

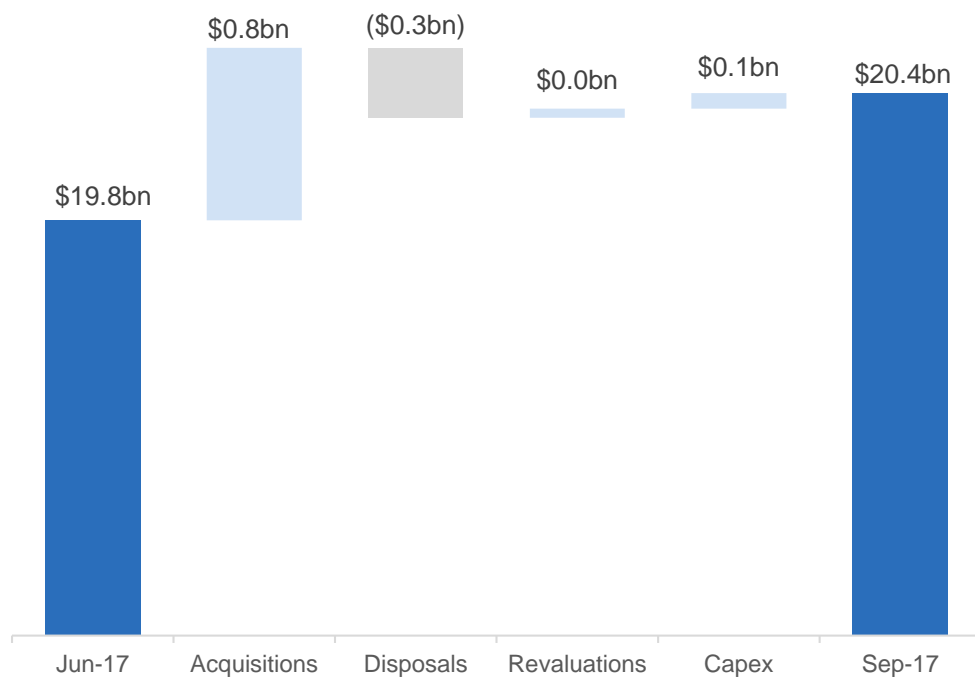
1. Data based on 12 months to 30 June 2017

2. PI refers to the Property Investment Portfolio

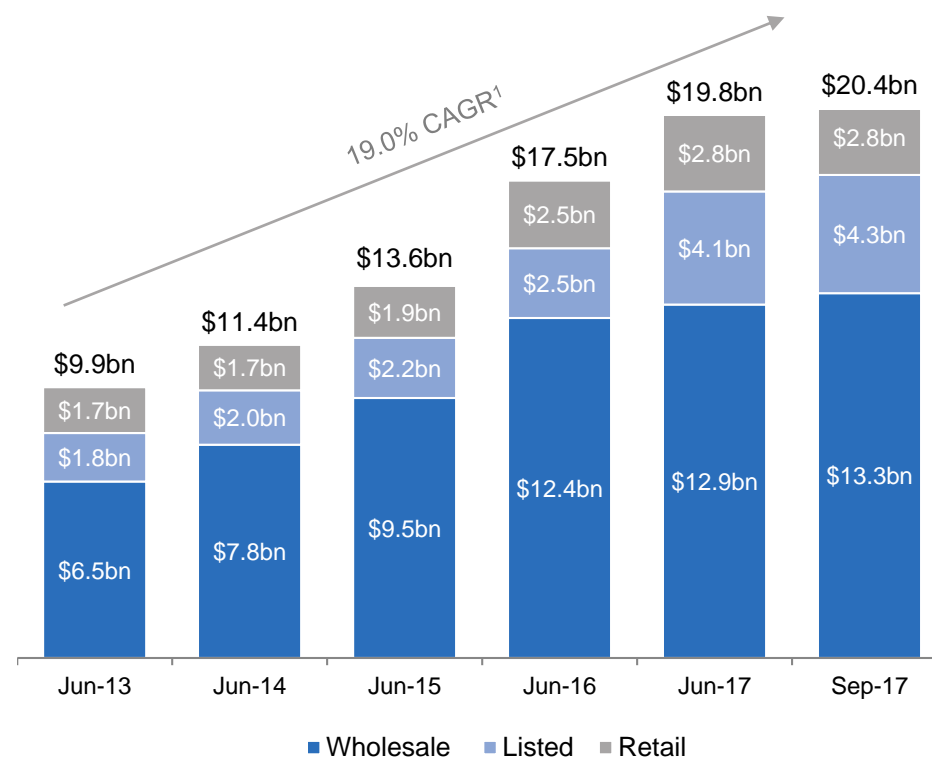
3. Total Property Investment Return calculated as distributions received from funds plus the growth in investment value divided by the opening investment value of the Property Investment Portfolio. This excludes any investments held for less than a year

Funds Under Management Growth

Funds under management movement (\$bn)



Funds under management by equity source (\$bn)

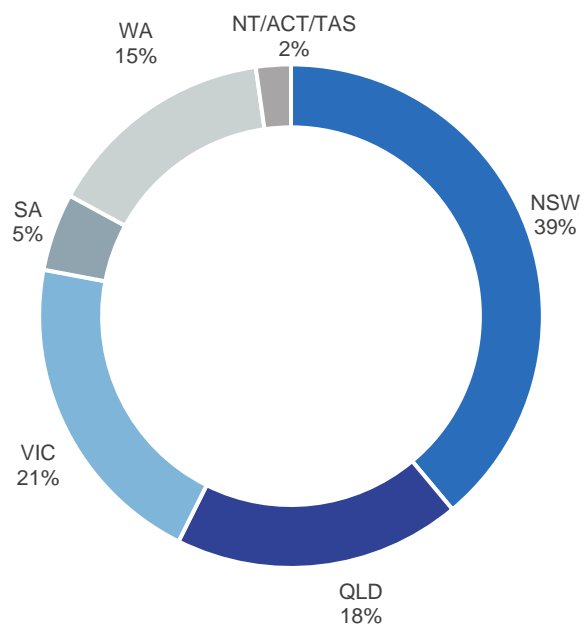


1. Compound annual growth rate (CAGR) from 30 June 2013 to 30 June 2017

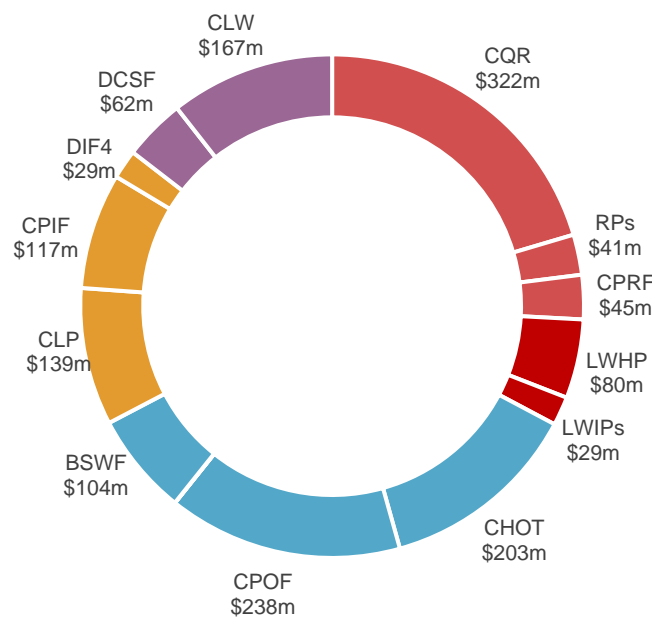
Property Investment Portfolio

	Portfolio Value (\$m)	No. of Properties	WALE ¹ (years)	Occupancy ¹ (%)	WARR ¹ (%)	WACR ¹ (%)	WADR ¹ (%)
30 Sep 17	1,577	297	7.4	97.7	3.6	6.09	7.3

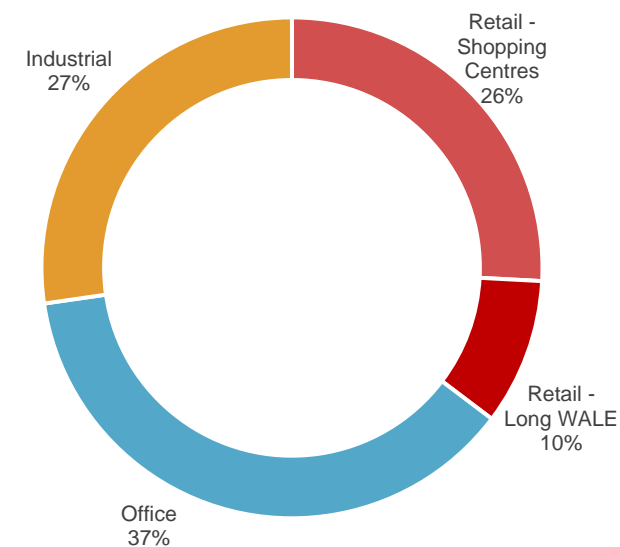
Diversification by Geography¹



Diversification by Fund



Diversification by Sector



1. Data as at 30 September 2017

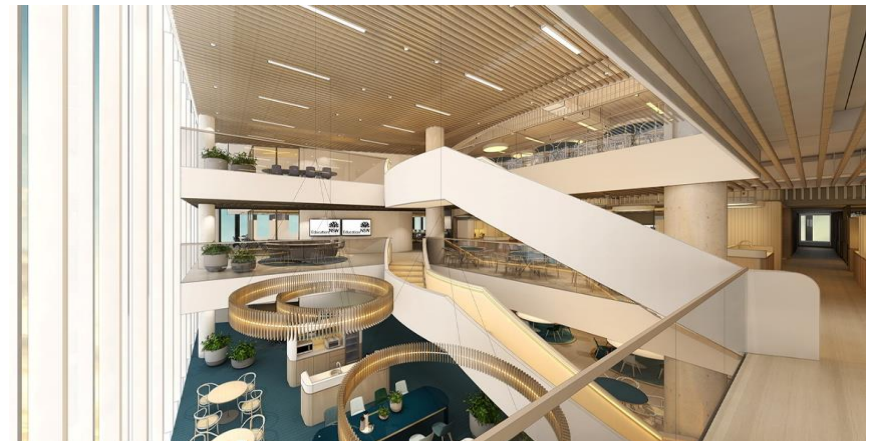
Conclusion

We believe the investment landscape will continue to accommodate growth

- **Relative attractiveness** of commercial property
- **Continued equity flows** from all equity sources
- We continue to expect **asset values** to remain well supported
- With \$3 billion of investment capacity across all funds, Charter Hall is well placed to continue FUM growth via a strong development pipeline and selective acquisitions



1 Shelley Street, Sydney NSW



105 Phillip Street, Sydney NSW

Appendix



1 Shelley St, Sydney NSW

Fund Key and Glossary

Listed Entities	
CHC	Charter Hall Group
CQR	Charter Hall Retail REIT
CLW	Charter Hall Long WALE REIT
Wholesale	
BSWF	Brisbane Square Wholesale Fund
CHOT	Charter Hall Office Trust
CLP	Core Logistics Partnership
CPIF	Charter Hall Prime Industrial Fund
CPOF	Charter Hall Prime Office Fund
CPRF	Charter Hall Prime Retail Fund
LWHP	Long WALE Hardware Partnership
LWIP	Long WALE Investment Partnership
LWIP2	Long WALE Investment Partnership No. 2
RP1	Retail Partnership No.1
RP2	Retail Partnership No.2
RP6	Retail Partnership No.6

Direct Funds	
BW Trust	BW Trust (Direct syndicate)
CDC	Charter Hall Direct CDC Trust
DIF2, DIF3, DIF4	Direct Industrial Fund series
DOF	Direct Office Fund
PFA	Charter Hall PFA Fund
VA	Charter Hall Direct VA Trust
DAT, DAT2	Charter Hall Direct Automotive Trust Series
Other	
CAGR	Compound Annual Growth Rate
Cap Rate	Capitalisation Rate
FUM	Funds Under Management
NTA	Net Tangible Assets
OEPS	Operating Earnings per Security
PFM	Property Funds Management
PI	Property Investments
WACR	Weighted Average Cap Rate
WALE	Weighted Average Lease Expiry

Contact Us



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