

ASX Release

Charter Hall Market Update and Folkestone Acquisition Completion

7 November 2018

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Charter Hall Group (ASX: CHC) (the Group) today announces a strong start to FY19 with updated FUM, equity flow, transactions and leasing activity, along with the successful completion of the Folkestone Limited acquisition. Key highlights for the period include:

Operational highlights

- Completed \$205 million acquisition of Folkestone Limited, which comprises \$1.6 billion of FUM
- Combined with a further \$1.4 billion of net acquisitions, FUM has grown to \$26.4 billion
- Increased portfolio of 779 properties across the office, industrial, retail and social infrastructure sectors comprising a weighted average lease expiry (WALE) of 7.7 years, occupancy of 97.9% and weighted average capitalisation rate (WACR) of 5.76%¹
- 156 leasing deals executed across 172,000sqm of space in the office, industrial and retail sectors
- Total development pipeline of 37 office, industrial and retail projects with an on-completion value of \$3.7 billion, de-risked through pre-leases and fixed price building contracts

Equity Flow

- Continued momentum in equity flows with \$918 million gross equity raised across the Group YTD
- \$641 million in equity raised across wholesale pooled funds and partnerships. Strong equity flows driven by recent raisings in CPOF and CPIF
- Direct Funds have continued to maintain their market leading status with a further \$217 million raised across four open ended funds
- CLW successfully complete a \$60 million institutional placement in October
- Property Investment Portfolio increased by 5.5% to \$1.8 billion

Funds Under Management

- 13.8% growth in funds under management (FUM) to \$26.4 billion across the office, industrial, retail and social infrastructure sectors

Charter Hall's Managing Director and Group CEO, David Harrison said: "We are pleased to report both deployment and replenishment of investment capacity via new equity inflows, whilst retaining the resilience of our property portfolio evidenced by maintaining a 7.7 year WALE and 5.76% cap rate, high occupancy and high quality tenant customer base. Significant leasing activity across our cross-sector platform continues to de risk portfolios and enhance returns from value add development activity for the benefit of fund investors and securityholders."

¹ WALE, Occupancy and WACR as at 30 September



Property Investment Performance

During the period, the Group's Property Investment portfolio increased by \$93 million or 5.5% to \$1.8 billion. Occupancy remains strong at 97.4% and the WALE stable at 7.2 years. The Group's Property Investments portfolio has expanded to include a \$108 million investment into social infrastructure via the Folkestone Education Trust (ASX:FET) co investment, to be re-named the Charter Hall Education Trust. Following completion of the Folkestone Limited acquisition, Charter Hall has secured a 15.3% stake in FET.

Continued Property Funds Management Growth

As at 7 November, Group FUM has increased by 13.8%. During the period, the \$1.6 billion Folkestone acquisition along with \$1.4 billion of net acquisitions and \$0.2 billion of capex saw the Group's managed funds grow to \$26.4 billion. There were minimal revaluations during the quarter, with market evidence pointing to further tightening of cap rates, particularly in the office sector.

Charter Hall continues to leverage its highly qualified and experienced in-house development team, providing its full suite of integrated property services to originate 37 office, industrial and retail projects with an on completion value of \$3.7 billion, de-risked through pre-leases and fixed price building contracts. The Group has also successfully completed the acquisition of another high-quality development asset at 555 Collins St, Melbourne for the Charter Hall Prime Office Fund (CPOF) and announced another Education development in partnership with Western Sydney University.

Folkestone Acquisition completed

The Group also announces today the successful completion of the scheme implementation agreement for Charter Hall to acquire Folkestone Limited for a total consideration of \$205 million, funded by cash from available investment capacity.

Charter Hall's Managing Director and Group CEO, David Harrison said: "We are very pleased to have successfully completed this transaction and we look forward to the Folkestone team joining Charter Hall and the complementary skills they will bring as we work together to grow the funds management platform. I would like to thank Greg and his executive team, the Folkestone Board and investors for their support."

The transaction grows Charter Hall's funds under management (FUM) by \$1.6 billion. The acquisition also sees the Group grow its investable universe into the social infrastructure and early learning sector.

Strategy and Outlook

Based on no material change of current market conditions and the completion of the Folkestone transaction, FY19 guidance is for 8-10% growth in post-tax operating earnings per security over FY18.

The distribution payout ratio is expected to be between 85% and 95% of operating earnings per security post-tax.

About Charter Hall

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with over \$26.4 billion of high quality, long leased property across the office, retail, industrial and social infrastructure sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth and oversees a portfolio of 779 properties that is more than 5.4 million square metres in size. The ASX100 Group has over 27 years' experience managing and investing in high quality property on behalf of institutional, wholesale and retail clients.

Charter Hall's success is driven by our focus on our tenant and investor customers. We look to partner with our tenants, growing with them and helping meet their property needs. We invest alongside our capital partners, creating value and generating superior investment returns together. Our \$3.7 billion development pipeline creates new assets for our investors, improving future returns, while creating opportunities for our tenant partners to expand and adapt their businesses. Sustainability and innovation are key elements of our approach. By ensuring our actions are innovative, commercially sound and make a difference to our people, customers and the environment, Charter Hall makes a positive impact for its investors, the community and the Group.

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November 2018

Charter Hall Group Market Update



Group Highlights

Our Strategy

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



Access

Accessing equity from listed, wholesale and retail investors



Deploy

Creating value through attractive investment opportunities



Manage

Funds management, asset management, leasing and development services



Invest

Investing alongside our capital partners

YTD FY19

GROSS EQUITY RAISED

\$918m

GROSS
TRANSACTIONS

\$2.2bn

ACQUISITIONS

\$1.8bn

DIVESTMENTS

\$0.4bn

FUM GROWTH

\$3.2bn

ADDITIONAL PROPERTIES

449

FOLKESTONE

\$1.6bn

INCREASE IN PI TO \$1.8bn

\$93m ↑ **5.5%**

FY18

GROSS EQUITY RAISED

\$1.7bn

GROSS
TRANSACTIONS

\$3.5bn

ACQUISITIONS

\$2.5bn

DIVESTMENTS

\$1.0bn

FUM GROWTH

\$3.4bn

PROPERTIES

330

INCREASE IN PI TO \$1.7bn

\$179m ↑ **11.7%**

TOTAL PROPERTY INVESTMENT RETURN¹

12.3%

1. Calculated as distributions received from funds plus growth in investment value divided by the opening investment value of the PI portfolio. Excludes investments held for less than one year and investments in Direct Funds.

Group Highlights

Operational Highlights¹



Office

55

LEASING TRANSACTIONS EXECUTED ACROSS

65,000sqm

130 LONSDALE

66%

PRE-LEASED²

\$1.2bn

GROSS TRANSACTIONS

7

DEVELOPMENT PROJECTS
COMPLETION VALUE

\$1.8bn



Industrial

10

LEASING TRANSACTIONS EXECUTED ACROSS

97,000sqm

\$419m

GROSS TRANSACTIONS

23

DEVELOPMENT PROJECTS
COMPLETION VALUE

\$1.6bn



Retail

91

LEASING TRANSACTIONS EXECUTED ACROSS

10,000sqm

\$497m

GROSS TRANSACTIONS

7

DEVELOPMENT PROJECTS
DEVELOPMENT SPEND

\$325m

1. Leasing and Development as at 30 September. Transactions as at 7 November.

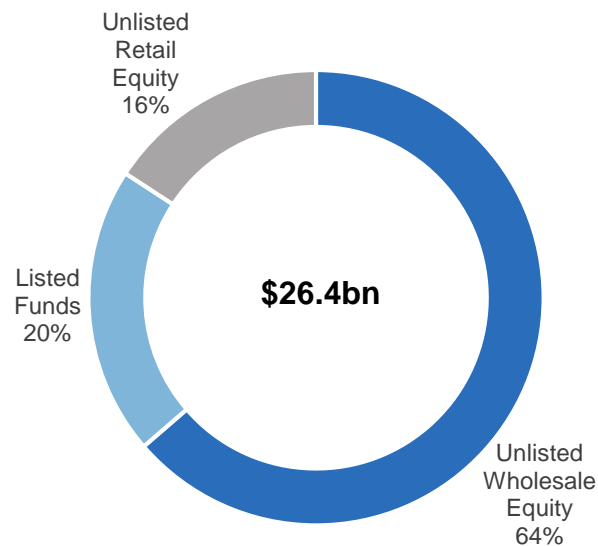
2. Includes Heads of Agreement

Property Funds Management

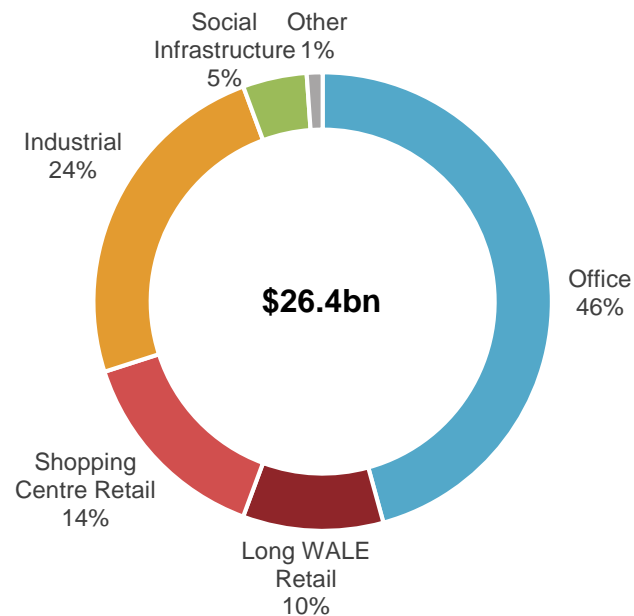
Group Funds Management Portfolio¹

	Portfolio Value (\$bn)	No. of Properties	Gross Income (\$m)	WALE (years)	Occupancy (%)	WACR (%)
Nov 18	26.4	779	1,759	7.7	97.9	5.76
Jun 18	23.2	330	1,634	7.7	98.1	5.74

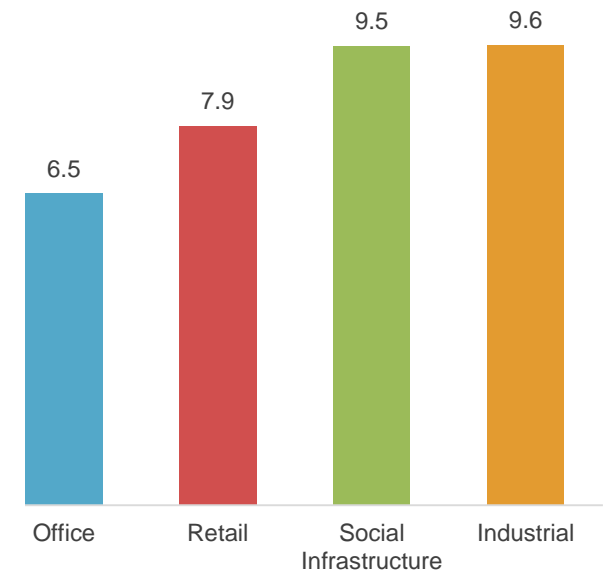
Diversification by equity source



Asset type diversification



WALE by sector



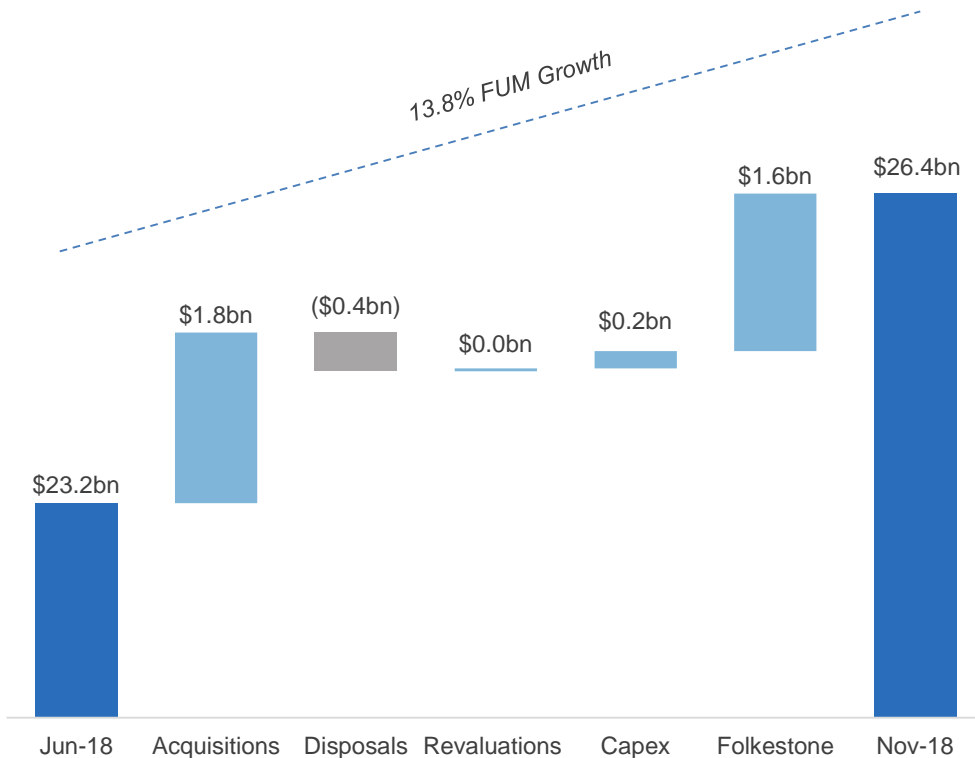
1. Portfolio value and number of properties as at 7 November. All other values as at 30 September.

Property Funds Management

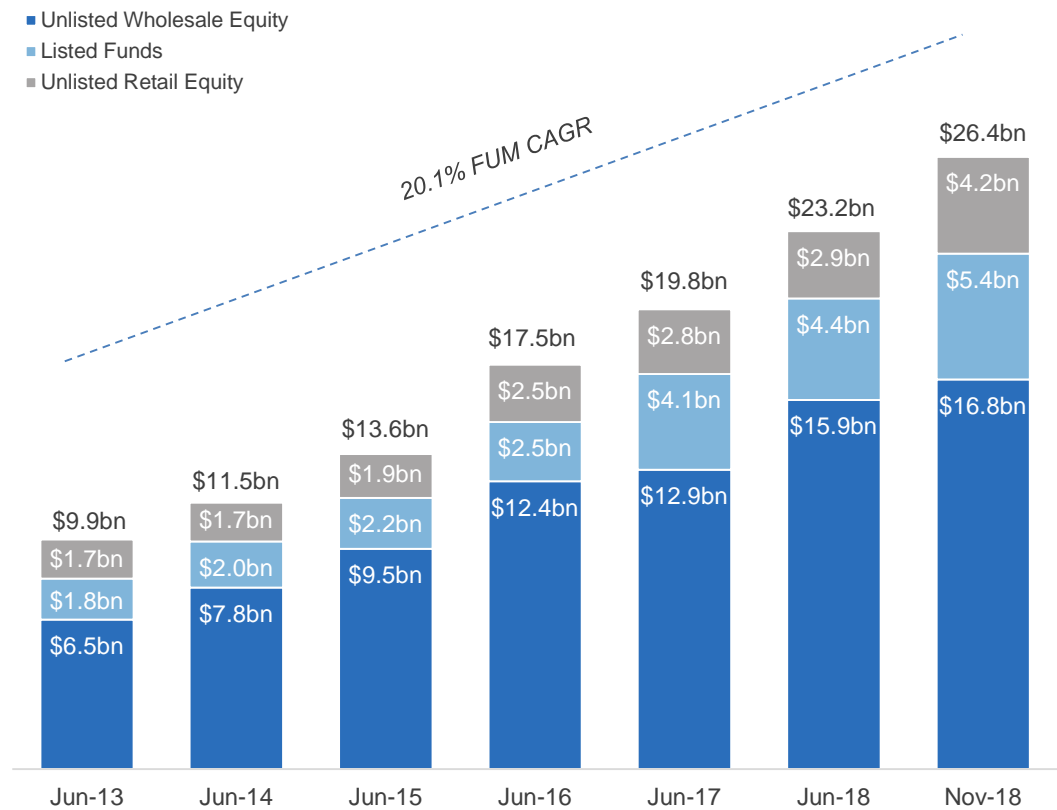
Funds Under Management Growth

Continued strong FUM growth – up 13.8% YTD

Funds under management movement (\$bn)



Funds under management by equity source (\$bn)



Property Funds Management

Transactional Activity

Very strong transactional activity with gross transactions YTD of \$2,164m

- All equity sources continue contributing to transaction volumes
- Gross transactions YTD does not include Folkestone acquisition

YTD FY19

	Office	Industrial	Long WALE Retail	Shopping Centre Retail	Total
Acquisitions	1,052m	335m	293m	83m	1,764m
Divestments	(195m)	(84m)	(38m)	(83m)	(400m)
Net transactions	857m	251m	255m	-	1,363m
Gross transactions	1,247m	419m	331m	166m	2,164m

FY18

	Office	Industrial	Long WALE Retail	Shopping Centre Retail	Total
Acquisitions	1,528m	371m	293m	333m	2,525m
Divestments	(623m)	(22m)	(38m)	(337m)	(1,020m)
Net transactions	905m	349m	255m	(4m)	1,505m
Gross transactions	2,151m	393m	331m	670m	3,545m

Property Funds Management

Equity Flows¹

Continued strong momentum in equity flows with \$918m gross equity raised year to date

- Wholesale equity – CPIF and CPOF closed capital raisings with strong support from existing and new investors
- Larger groups looking for co-invest and Partnership opportunities
- Direct Funds have continued to maintain their market leading status with a further \$217m raised year to date across the four open ended funds
- CLW successfully completed a \$60m institutional placement in October

(\$m)	FY16	FY17	FY18	YTD FY19
Wholesale Pooled Funds	606	776	649	564
Wholesale Partnerships	467	217	322	77
Listed Funds	76	988	77	60
Direct Funds	318	355	653	217
Gross equity raised	1,467	2,336	1,701	918
Net equity raised	1,099	1,689	1,487	874

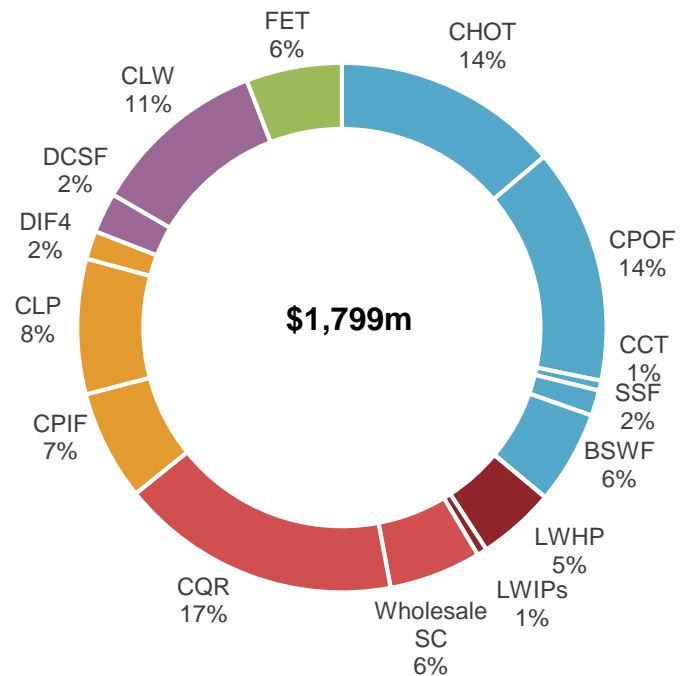
1. Equity flows includes equity received or returned only and excludes undrawn equity commitments

Property Investment

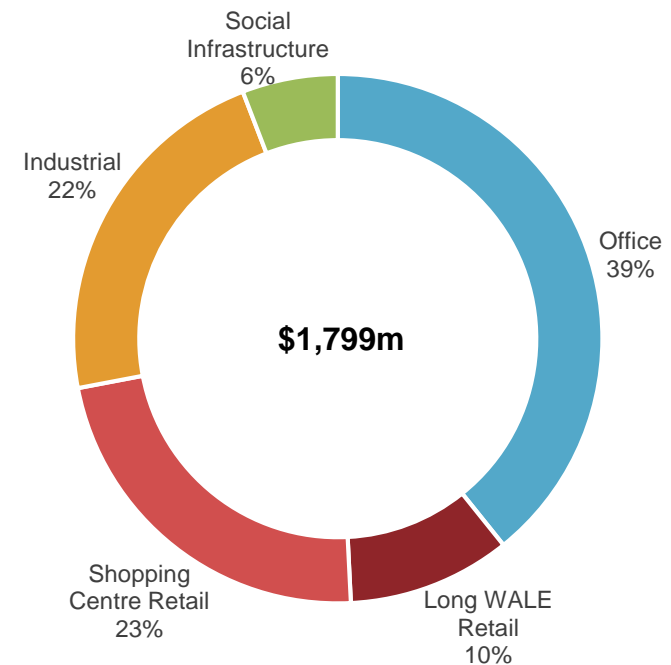
Property Investment Portfolio

	Portfolio Value (\$m)	No. of Properties	WALE (years)	Occupancy (%)	WARR (%)	WACR (%)
Nov 18	1,799	727	7.2	97.4	3.6	5.81
Jun 18	1,706	298	7.2	97.9	3.6	5.80

Diversification by Property Investment



Diversification by sector



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