

22 February 2019

# Charter Hall Group 2019 Half Year Results

6 months to 31 December 2018

10 & 12 Shelley Street, Sydney NSW



## 2019 Half Year Results

# Agenda

1. Group Highlights
2. Property Funds Management
3. Property Investment
4. Financial Result
5. Outlook and Guidance
6. Additional Information



**David Harrison**  
Managing Director  
& Group CEO



**Sean McMahon**  
Chief Investment Officer



**Russell Proutt**  
Chief Financial Officer

# 1. Group Highlights

## Group Highlights

# Group highlights<sup>1</sup>

Group investment capacity of \$2.6bn

Group returns	Property Investments	Funds Management	Balance sheet
\$108m operating earnings \$134m statutory profit <sup>2</sup>	12.0% Total Property Investment Return <sup>4</sup>	22.4% FUM growth to \$28.4bn (6 months)	5.5% balance sheet gearing
13.0% OEPS growth pcp	Property Investment portfolio \$1.8bn (6.7% growth)	\$3.8bn in gross transactions (6 months)	33.2% look through gearing
12.3% Total Platform Return <sup>3</sup>	6.0% Property Investment yield	4.9% Property Funds Management yield <sup>5</sup>	Weighted average debt maturity 7.1yrs

1. Figures and statistics on this slide and throughout this presentation are for the 6 months to 31 December 2018 unless otherwise stated

2. Attributable to stapled securityholders

3. Total Platform Return is calculated as growth in net tangible assets (NTA) per security plus distributions per security divided by the opening NTA per security for the 12 months to 31 December 2018

4. Total Property Investment Return is calculated as distributions received from funds plus growth in investment value divided by the opening investment value of the PI portfolio for the 12 months to 31 December 2018. This excludes investments held for less than a year and investments in Direct funds

5. Property Funds Management (PFM) yield is calculated as PFM operating earnings post tax per security (includes 50% allocation of net interest) divided by the opening NTA per security for the 12 months to 31 December 2018

## Group Highlights

## Our strategy

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



## Access

Accessing equity from listed, wholesale and retail investors

## 6 MONTHS

GROSS EQUITY RAISED

**\$1.2bn**

## 3 YEAR

GROSS EQUITY RAISED

**\$6.0bn**

## 5 YEAR

GROSS EQUITY RAISED

**\$13.5bn**

## Deploy

Creating value through attractive investment opportunities

GROSS TRANSACTIONS

**\$3.8bn**

ACQUISITIONS

**\$3.1bn**

DIVESTMENTS

**\$0.7bn**

GROSS TRANSACTIONS

**\$14.5bn**

ACQUISITIONS

**\$10.1bn**

DIVESTMENTS

**\$4.4bn**

GROSS TRANSACTIONS

**\$31.3bn**

ACQUISITIONS

**\$22.0bn**

DIVESTMENTS

**\$9.3bn**

## Manage

Funds management, asset management, leasing and development services

FUM

**\$28.4bn**

PROPERTIES

**820**

FUM GROWTH

**\$12.5bn**

FUM GROWTH

**\$17.9bn**

## Invest

Investing alongside our capital partners

INCREASE IN PI TO \$1.8bn

**\$115m ↑ 6.7%**

TOTAL PROPERTY INVESTMENT RETURN

**12.0%<sup>1</sup>**

INCREASE IN PI

**\$518m ↑ 28.5%**

TOTAL PROPERTY INVESTMENT RETURN

**13.3%**

INCREASE IN PI

**\$1.2bn ↑ 65.8%**

TOTAL PROPERTY INVESTMENT RETURN

**14.2%**

1. 12 months to 31 December 2018

## Group Highlights

# Operational highlights



### Office

**95**

LEASING DEALS EXECUTED ACROSS

**134,000**sqm

130 LONSDALE

**72%**

PRE-LEASED

**\$2,295m**

GROSS TRANSACTIONS

**7**

DEVELOPMENT PROJECTS  
COMPLETION VALUE

**\$2.6bn**

**\$1.4bn**

NEW AND REFINANCED DEBT FACILITIES<sup>1</sup>



### Industrial

**17**

LEASING DEALS EXECUTED ACROSS

**197,000**sqm

**\$818m**

GROSS TRANSACTIONS

**27**

DEVELOPMENT PROJECTS  
COMPLETION VALUE

**\$2.2bn**

**\$869m**

NEW AND REFINANCED DEBT FACILITIES<sup>1</sup>



### Retail

**210**

LEASING DEALS EXECUTED ACROSS

**52,000**sqm

**7**

LEASES EXECUTED ACROSS

**29,000**sqm

TO MAJORS

**\$680m**

GROSS TRANSACTIONS

**5**

DEVELOPMENT PROJECTS  
DEVELOPMENT SPEND

**\$285m**

**\$1.5bn**

NEW AND REFINANCED DEBT FACILITIES<sup>1</sup>



### Social Infrastructure

**12**

LEASING DEALS EXECUTED ACROSS

**6,000**sqm

**\$11m**

GROSS TRANSACTIONS

**27**

DEVELOPMENT PROJECTS  
DEVELOPMENT SPEND

**\$167m**

**\$347m**

NEW AND REFINANCED DEBT FACILITIES<sup>1</sup>

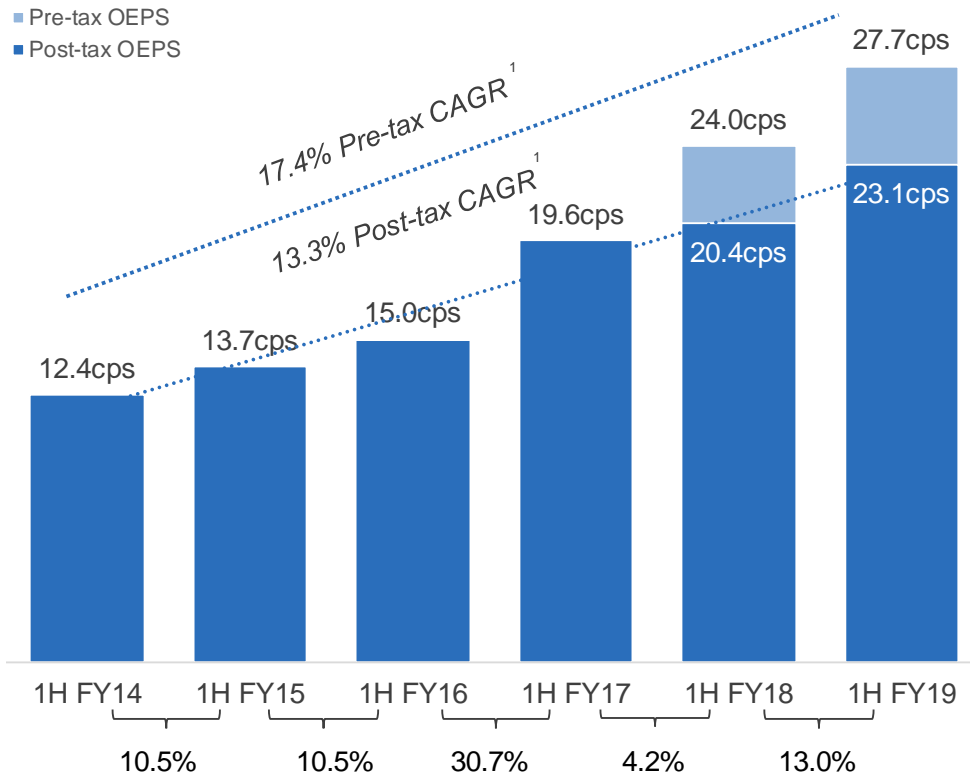
1. Reflects new and refinanced debt facilities within CHC managed funds.

## Group Highlights

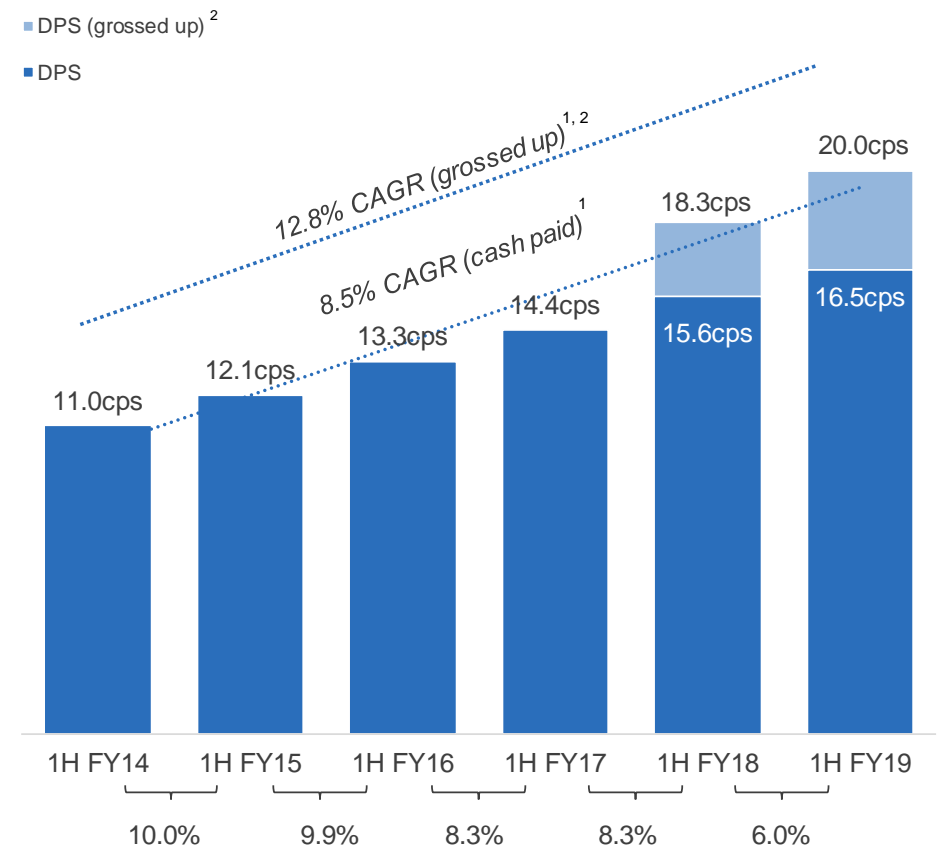
# Sustained growth

Strong growth in earnings underpinning distribution growth

## Operating earnings per security growth



## Distributions per security growth



1. Compound annual growth rate (CAGR) from 1H FY14 to 1H FY19

2. Grossed up distribution includes franking credits of 3.5cps paid to securityholders in 1H FY19 (2.7cps in 1H FY18)



## 2. Property Funds Management



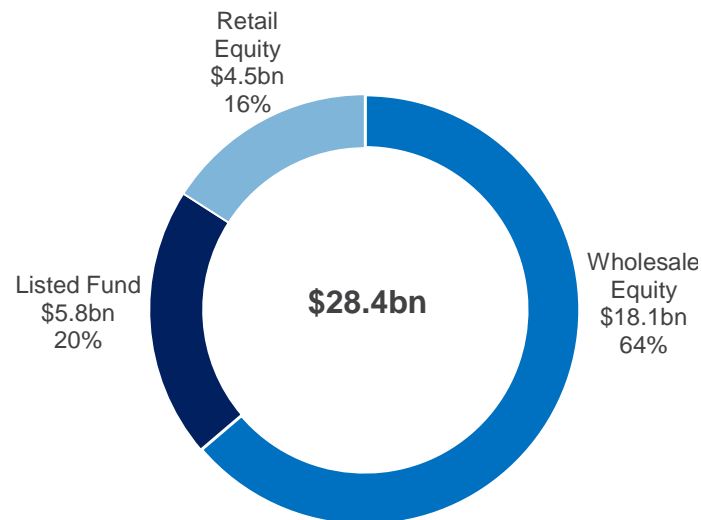
## Property Funds Management

# Group funds management portfolio

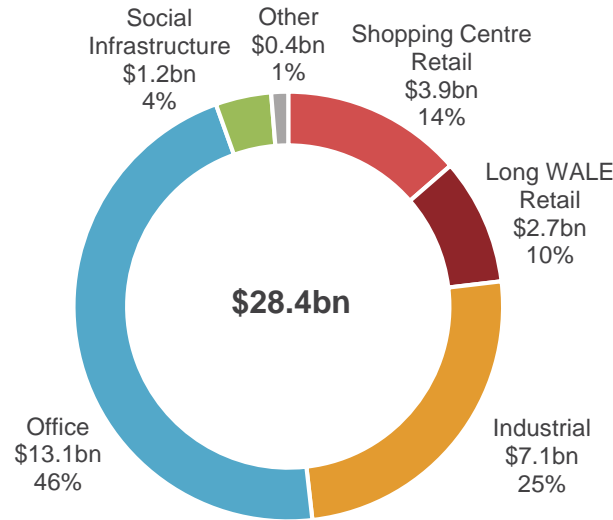
83% east coast weighting

	Portfolio Value (\$bn)	Lettable Area (m sqm)	No. of Properties	No. of Tenancies	Gross Income (\$m)	WALE <sup>1</sup> (years)	Occupancy (%)	WACR <sup>2</sup> (%)
<b>31 Dec 18</b>	<b>28.4</b>	<b>6.3</b>	<b>820</b>	<b>3,157</b>	<b>1,883</b>	<b>8.0</b>	<b>98.1</b>	<b>5.65</b>
30 Jun 18	23.2	5.4	330	2,447	1,634	7.7	98.1	5.74

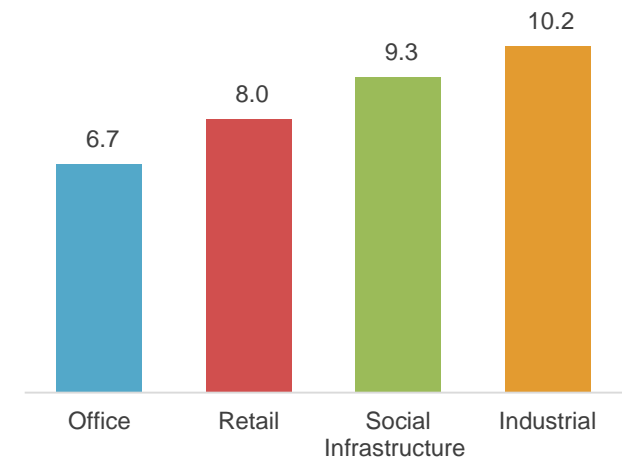
### Diversification by equity source



### Asset type diversification



### WALE by sector



1. WALE is the weighted average lease expiry for the Property Funds Management portfolio and is weighted by gross income
2. WACR is the weighted average cap rate for the Property Funds Management portfolio and is weighted by gross asset value

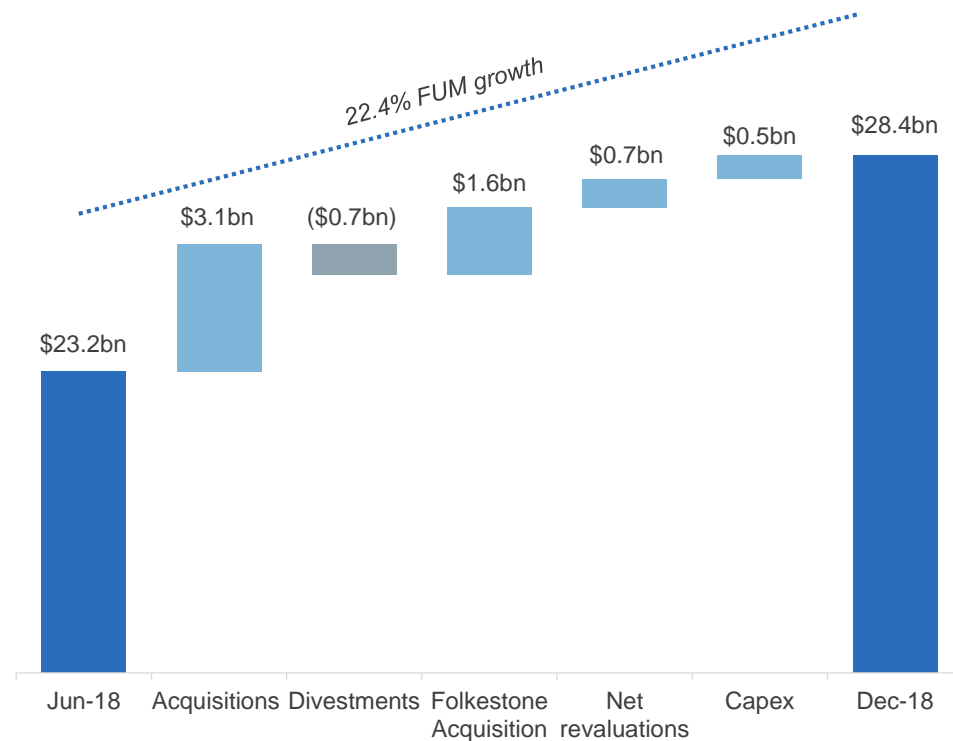
## Property Funds Management

# Funds under management growth

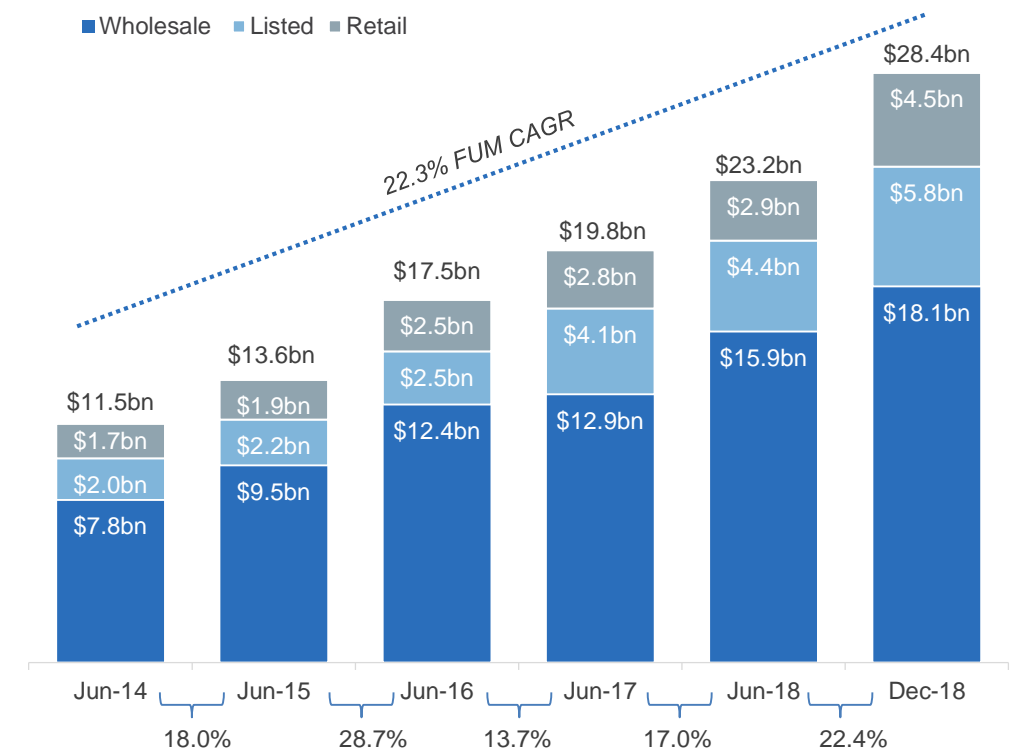
5 year FUM growth of 22.3% per annum

- Post 31 December 2018, the DVP wholesale partnership was formed with seed assets totaling \$113m including the 50.5% interest in 1 Brisbane. CHC has sold down to a 10% interest with 90% owned by two institutional investors. DVP has total additional capacity of \$500m.

## Funds under management movement (\$bn)



## Funds under management by equity source (\$bn)

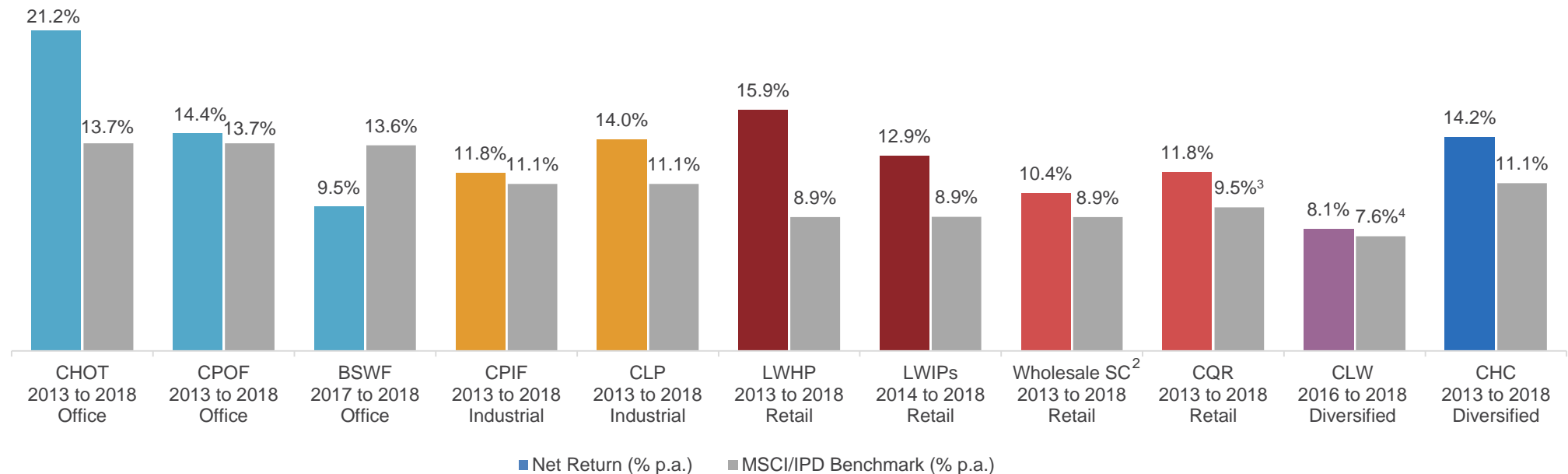




## Property Funds Management

# Major property investment portfolio returns

- The Property Investment Portfolios total property return<sup>1</sup> over the five years to 31 December 2018 is 14.2% per annum, outperforming the MSCI/IPD Unlisted Wholesale Property Fund Index (NAV post fees) which returned 11.1% over the same period
- The below chart shows the total property return of each major Property Investment relative to its sector specific benchmark index



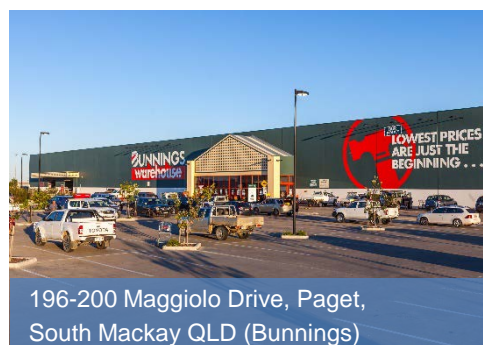
- Total Property Investment Return is calculated as distributions received from funds plus growth in investment value divided by the opening investment value of the Property Investment Portfolio. This excludes investments held for less than a year and investments in Direct funds.
- Includes CHC's investments in Wholesale Shopping Centre (SC) Funds RP2, RP6 and CPRF
- S&P ASX 200 / Retail A-REIT index (Source: UBS Australian REIT Month in Review – December 2018)
- S&P ASX 200 A-REIT Accumulation index (Source: IRESS)

## Property Funds Management

# 1H FY19 transactional activity

- Acquisition activity led by the Office and Industrial sectors

(\$m)	Office	Industrial	Long WALE Retail	Shopping Centre Retail	Social Infrastructure	Total
Acquisitions	1,850	730	317	161	9	3,067
Divestments	(445)	(88)	(38)	(164)	(2)	(737)
Net transactions	1,405	642	279	(3)	7	2,330
Gross transactions	2,295	818	355	325	11	3,804





## Property Funds Management

# Development activity

Continues to drive asset creation and attract capital

- Development completions have added \$2.6bn of FUM over the last 3 years
- Development pipeline has increased from \$2.6bn in December 2015 to \$5.3bn today
- Majority of committed projects are de-risked through pre-leases and fixed price building contracts
- Capital continues to be attracted by Charter Hall's ability to deliver new investment stock













Development activity (completion value \$m)	Completions (12 months)	Committed projects	Uncommitted projects <sup>2</sup>	Total pipeline <sup>3</sup>
Office	673	1,089	1,499	2,588
Industrial	408	590	1,646	2,236
Retail <sup>1</sup>	69	153	132	285
Social Infrastructure	42	103	64	167
<b>Total / weighted average</b>	<b>1,192</b>	<b>1,935</b>	<b>3,341</b>	<b>5,276</b>

1. Reflects development spend only and excludes existing centre value
2. Includes potential end value of uncommitted development projects
3. \$1.8bn included in FUM at 31 December 2018

## Property Funds Management

## Leasing activity

Deals completed over the last 12 months

	Office	Industrial	Retail	Social Infrastructure
Existing assets leased (lettable area)	131,403	284,947	89,403	12,197
Major leases	 	 	 	  
Developments leased (lettable area)	53,888	99,154	-	-
Major leases	 			
Lettable Area	185,291	384,101	89,403	12,197
Value <sup>1</sup>	\$1.97bn	\$0.76bn	\$0.69bn	\$0.06bn
WALE (years)	8.6	9.2	6.0	10.1

1. Lease NLA/property NLA x property value. Retail value is Lease gross income/property gross income x property value



## Property Funds Management

# Equity flows

Diversified equity sources with \$1,220m gross equity raised in the 6 months to 31 December 2018:

- Across the Group, thirteen funds have raised equity in the half
- \$172m raised in Listed funds with CLW completing two successful equity raisings
- Continued strength in Direct Funds with \$305m raised in the half

(\$m)	FY16	FY17	FY18	1H FY19
<b>Wholesale Pooled Funds</b>	606	776	649	638
<b>Wholesale Partnerships</b>	467	217	322	105
<b>Listed Funds<sup>1</sup></b>	76	988	77	172
<b>Direct Funds<sup>2</sup></b>	318	355	653	305
<b>Gross equity raised</b>	<b>1,467</b>	<b>2,336</b>	<b>1,701</b>	<b>1,220</b>
<b>Net equity raised</b>	1,099	1,689	1,487	1,125

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

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

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



# 3. Property Investment



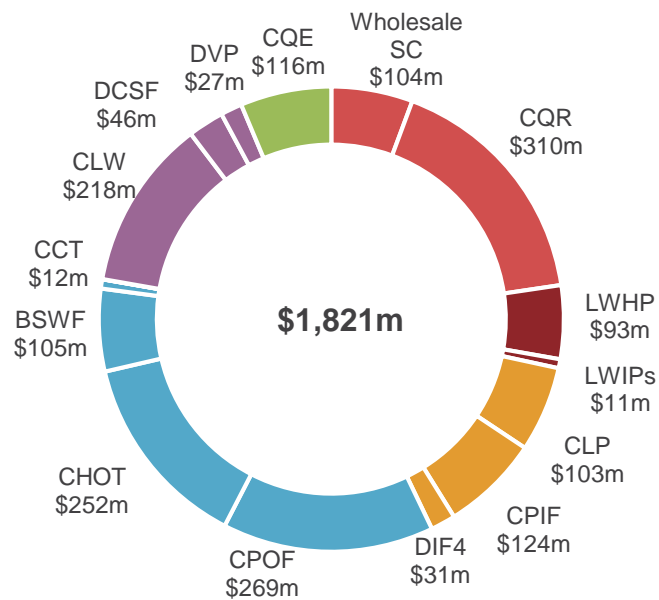
## Property Investment

# Property Investment portfolio

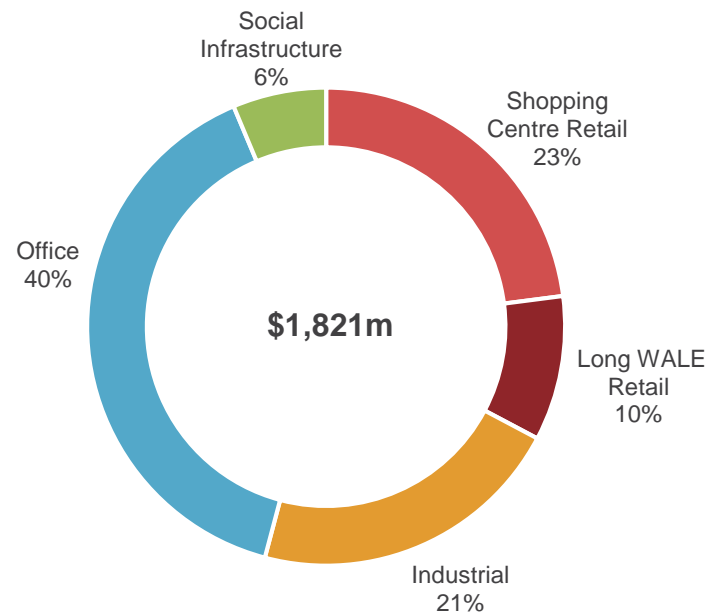
81% east coast weighting

	Portfolio Value (\$m)	No of Properties	WALE (years)	Occupancy (%)	WARR <sup>1</sup> (%)	WACR (%)	WADR <sup>2</sup> (%)
31 Dec 18	1,821	762	7.5	97.8	3.5	5.73	7.0
30 Jun 18	1,706	298	7.2	97.9	3.6	5.80	7.1

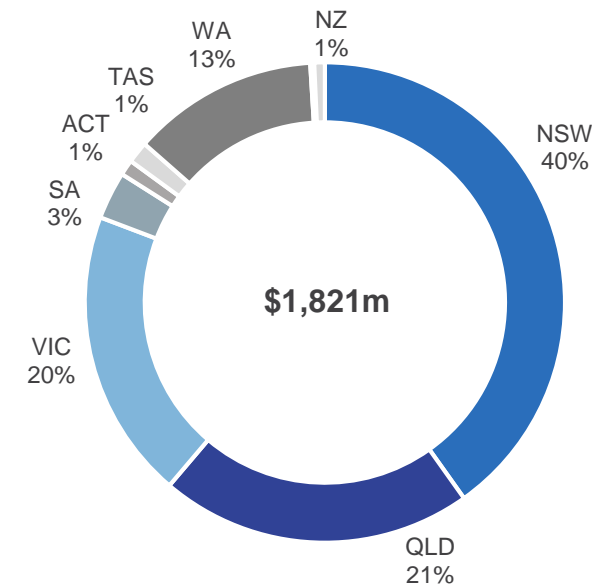
## Diversification by Property Investment



## Diversification by sector



## Geographic allocation



1. WARR is the weighted average rent review and is weighted by gross income
2. WADR is the weighted average discount rate and is weighted by the Investment value of each Property Investment

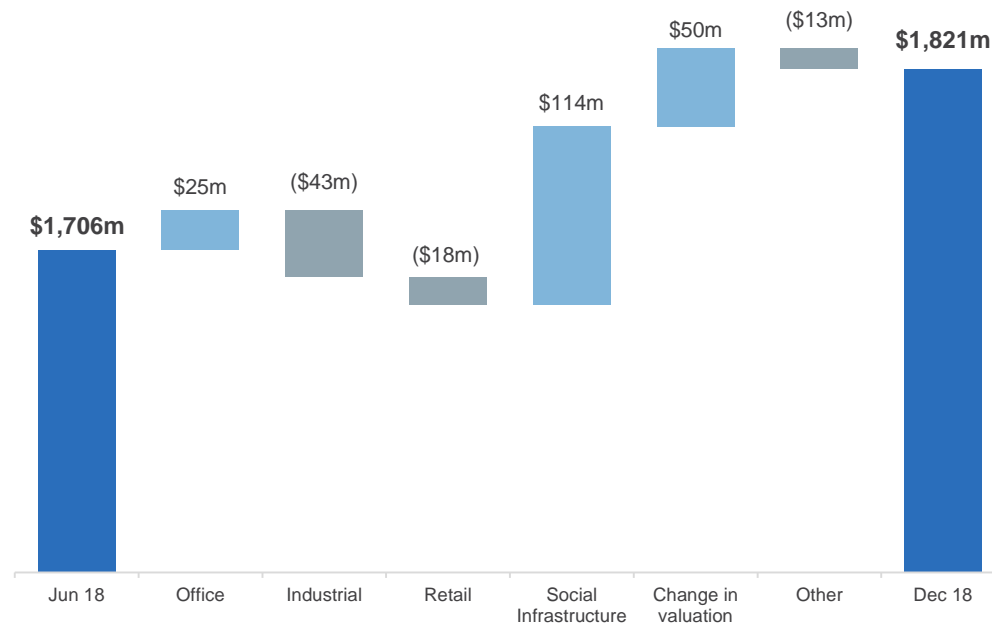


## Property Investment

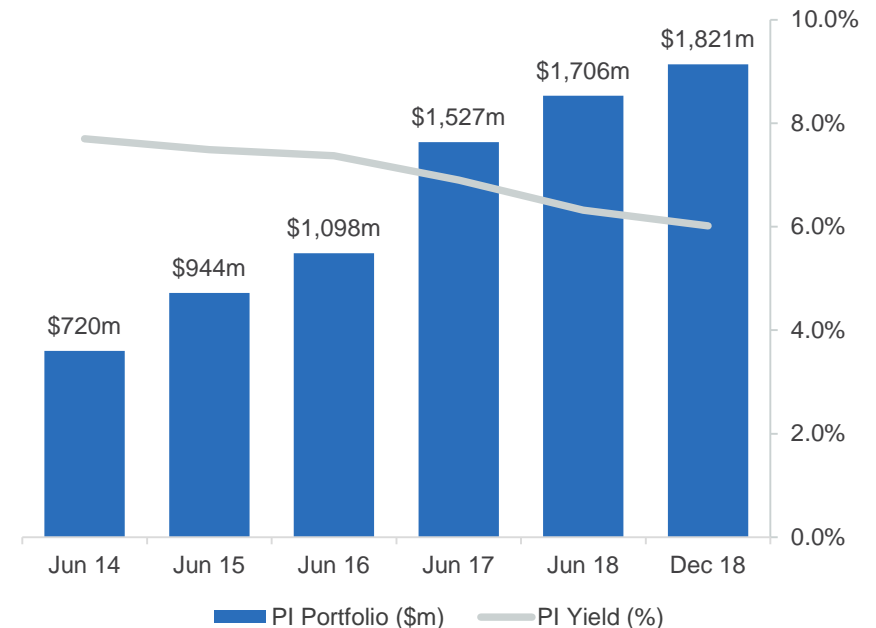
# Property Investment portfolio movement

- During the 6 months to 31 December 2018 the Property Investment Portfolio increased by 6.7% (+\$115m) to \$1,821m predominantly driven by the investment in CQE
- PI yield of 6.0% remains attractive
- The decrease in yield continues to be driven by the improved quality and WALE of the Portfolio

### Property Investment movement



### Property Investment portfolio yield



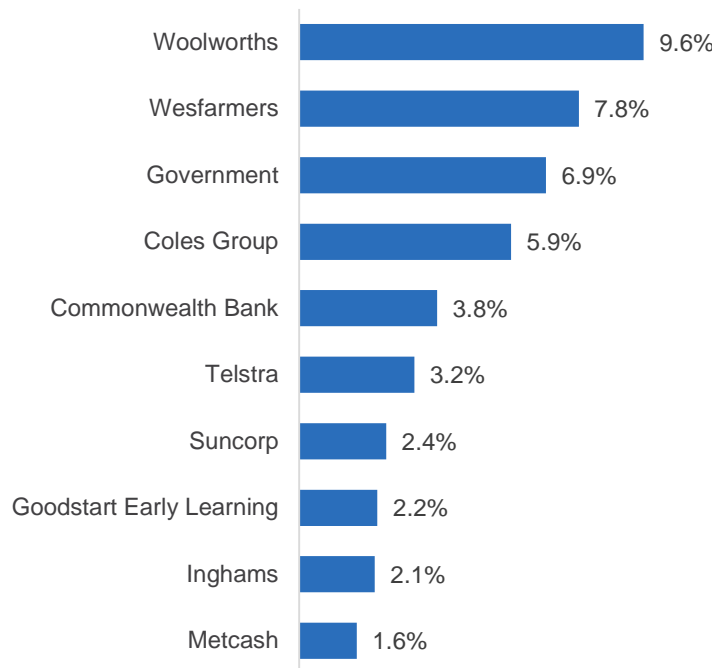
## Property Investment

# Diversified earnings resilience

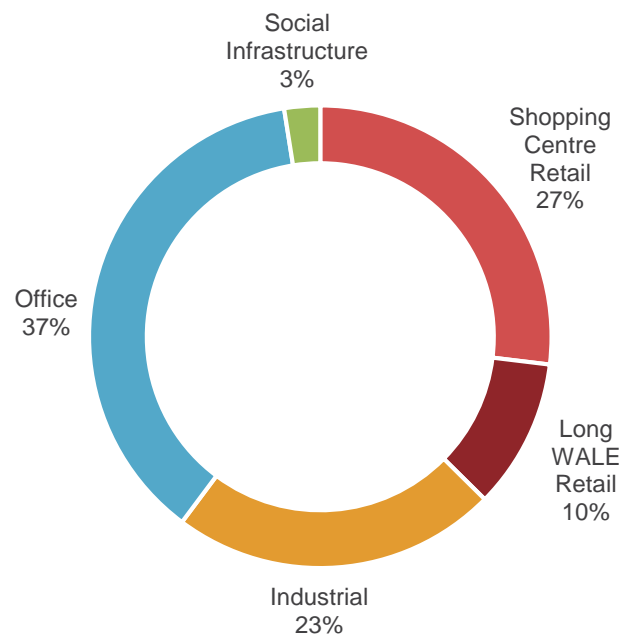
Top 10 asset exposures represent only 10.8% of earnings

- 71% repeat customers across 1,824 leases
- Tenant retention rate of 78% for the six months to 31 Dec 2018

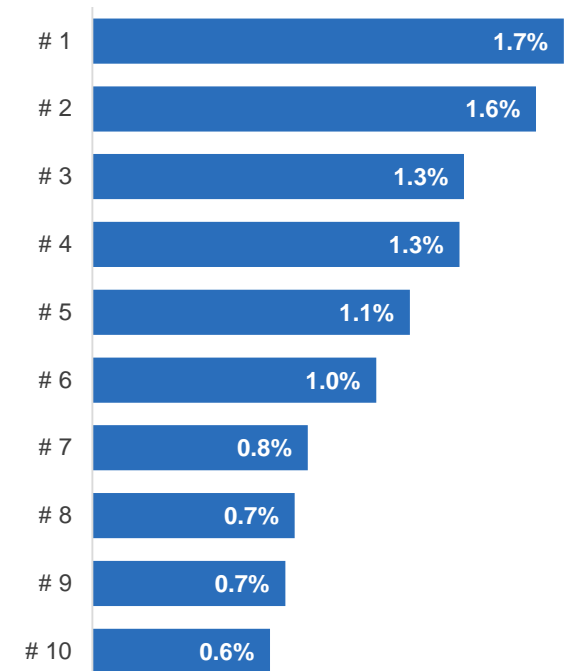
### Top 10 tenants by gross income



### Property Investment earnings (by Sector)



### Top 10 asset exposures<sup>1</sup>



1. Asset exposure measured as Gross income of property, weighted for CHPT ownership stake, divided by post-tax OEPS

## Property Investment Sustainability



### ENHANCING WORKPLACE



#### Becoming a leader in health and wellbeing in our communities by:

- Increasing our footprint of WELL rated buildings
- Registering the CHOT Portfolio in the inaugural WELL Portfolio pilot
- Developing our Human Rights Framework and understanding the modern slavery risks in our supply chain
- Creation of new Charli app for enhanced workplace experience for tenant customers



### ECO INNOVATION



#### Working towards net zero emissions and resilient communities by:

- Developing a carbon emission reduction pathway to net zero
- Continued investment in renewable energy with an additional **2,175kWh** solar PV installed between Jul-Dec 2018 across Industrial, Office, Retail and Bunnings assets. Increasing renewables in our portfolio to **4,081kW** of solar PV generating over **6,111MWh** of electricity per annum, which equates to powering 407 homes.
- Committing to an additional 11,316 kW of solar PV, across 14 retail shopping centres. Once completed, generating 16,950 MWh of electricity per annum, enough energy to power and additional 1,130 homes

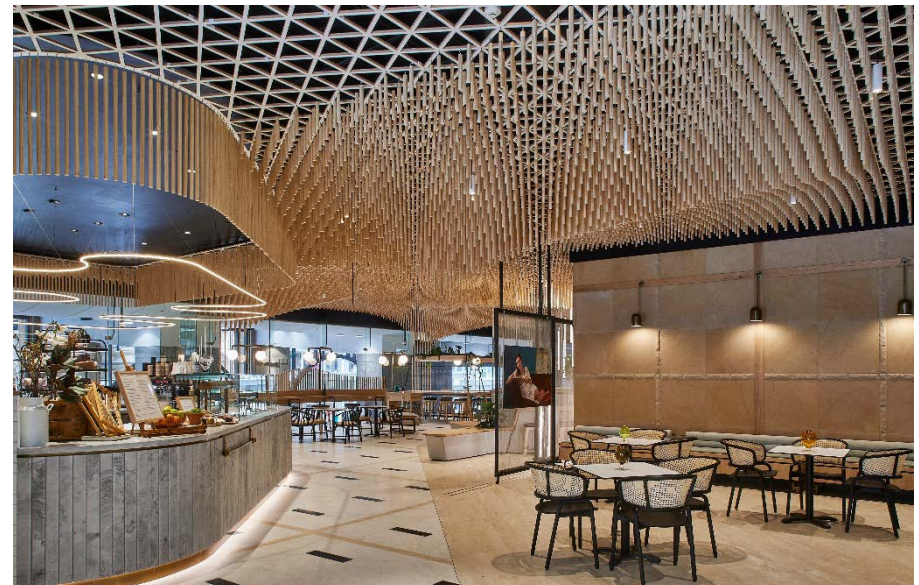


### BUILDING COMMUNITY

PLEDGE  
**1%**

#### Creating Australia's largest community network of hubs:

- Supporting Two Good to deliver 20,000 meals to domestic violence shelters across Australia
- Building community spaces for our customers, which are supported by social enterprise, such as Portal at 1 Martin Place, Sydney NSW



Portal Café on The Mezzanine, 1 Martin Place, Sydney NSW



# 4. Financial Result

## Financial Result

## Earnings summary

- EBITDA of \$134.2m, a 19.0% increase over 1H FY18
  - Expansion of property funds management platform continuing to underpin organisational growth
- Interest expense in the half attributable to USPP issuance that funded in August
- Operating earnings and OEPS growth of 13.0% to \$107.5m and 23.1cps
- DPS growth of 6.0% to 16.5cps at a distribution payout ratio of 72%
  - 3.5cps of franking credits distributed

(\$m)	1H FY19	1H FY18	Change %
Property investment (PI)	52.1	50.2	3.8%
Development investment (DI)	1.4	-	-
Property funds management (PFM)	80.7	62.6	28.9%
<b>EBITDA</b>	<b>134.2</b>	<b>112.8</b>	<b>19.0%</b>
Depreciation	(2.4)	(1.9)	(26.1%)
Interest expense/income	(2.9)	0.8	-
<b>Operating earnings pre-tax</b>	<b>128.9</b>	<b>111.7</b>	<b>15.4%</b>
Tax	(21.4)	(16.6)	(28.5%)
<b>Operating earnings post-tax</b>	<b>107.5</b>	<b>95.1</b>	<b>13.0%</b>
<b>Non operating items</b>			
Change in property investment valuation <sup>1</sup>	48.7	48.6	0.2%
Other non-operating items <sup>1</sup>	(22.7)	(23.1)	1.7%
<b>Statutory profit after tax</b>	<b>133.5</b>	<b>120.6</b>	<b>10.7%</b>
OEPS pre-tax (cps)	27.7	24.0	15.4%
OEPS post-tax (cps)	23.1	20.4	13.0%
DPS (cps)	16.5	15.6	6.0%
Distribution payout ratio	72%	76%	-

1. Includes the Group's proportionate share of non-operating items of equity accounted investments on a look through basis and investments held at fair value through profit and loss



## Financial Result

## Property funds management

- PFM revenue up 24.8% to \$126.2m
- Investment management revenue up 27.5% to \$104.8m:
  - Continued momentum in FUM driving funds management fee growth of 21.6%
  - Transaction fees earned from active acquisition and divestment program
  - \$20m of the CHOT performance fee has been accrued in the half<sup>2</sup>
- Property services revenue up 13.2% to \$21.4m:
  - Successful leasing activity supporting high occupancy
- Total revenue growth of 24.8% outpacing expense growth of 18.4%

(\$m)	1H FY19	1H FY18	Change%
Fund management fees	51.8	42.6	21.6%
Transaction and performance fees	53.0	39.6	33.8%
<b>Investment management revenue</b>	<b>104.8</b>	<b>82.2</b>	<b>27.5%</b>
Property management fees <sup>1</sup>	6.6	5.8	13.8%
Development fees	6.9	7.1	(2.8%)
Leasing fees <sup>1</sup>	6.0	4.1	46.3%
Facilities and project management fees	1.9	1.9	0.0%
<b>Property services revenue</b>	<b>21.4</b>	<b>18.9</b>	<b>13.2%</b>
<b>PFM revenue</b>	<b>126.2</b>	<b>101.1</b>	<b>24.8%</b>
PFM expenses <sup>1</sup>	(32.9)	(26.6)	(23.7%)
Corporate expenses	(12.6)	(11.9)	(5.9%)
<b>Total PFM expenses</b>	<b>(45.6)</b>	<b>(38.5)</b>	<b>18.4%</b>
<b>PFM EBITDA</b>	<b>80.7</b>	<b>62.6</b>	<b>28.9%</b>
PFM EBITDA Margin	63.9%	61.5%	2.4%

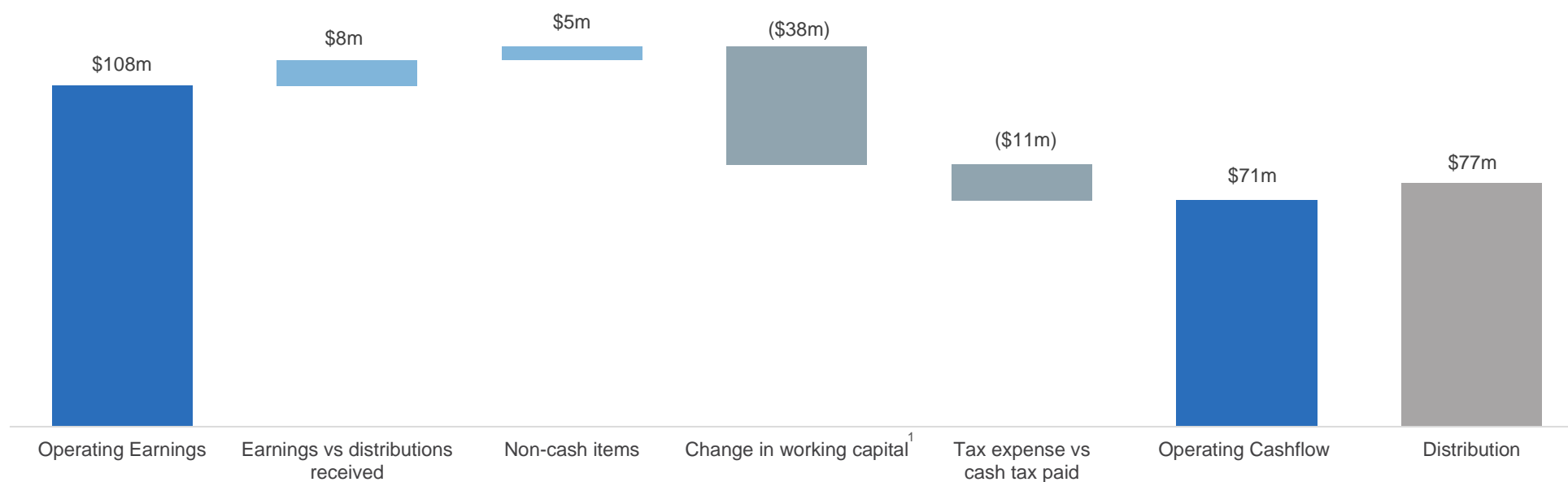
1. 1H FY18 includes a restatement between property management fees and leasing fees \$6.4m and PFM expenses \$6.4m relating to a move to Retail leasing cost recovery. No impact to PFM EBITDA  
 2. As at 31 December 2018, CHOT accrued a total performance fee liability of \$105m



## Financial Result

# Operating cashflow

- 1H FY19 distribution covered 93% by operating cashflow
- Similar to previous years, operating cashflow is anticipated to fully cover FY distributions



1. Includes CHOT performance fee accrual of \$20m (to be cash paid in FY20)

## Financial Result

## Balance sheet and return metrics

- Strong balance sheet maintained:
  - Considerable financial flexibility with undrawn lines and cash in hand
- NTA per security remains at \$3.82
  - Retained earnings and revaluations are partly offset by higher intangibles following the acquisition of FLK
- Strong return metrics on capital employed in the business

(\$m)	31 Dec 2018	30 June 2018
Cash	115	95
Property investment	1,821	1,706
Development investment	88	58
Other assets <sup>1,2</sup>	192	92
Intangibles	135	63
<b>Total assets</b>	<b>2,351</b>	<b>2,014</b>
Borrowings <sup>2</sup>	268	0
Other liabilities	159	156
<b>Total liabilities</b>	<b>427</b>	<b>156</b>
<b>Total equity</b>	<b>1,924</b>	<b>1,858</b>
NTA per stapled security <sup>3</sup>	\$3.82	\$3.82
<b>Return Metrics</b>	<b>31 Dec 2018</b>	<b>30 June 2018</b>
Return on equity (pre-tax) <sup>4</sup>	12.8%	12.1%
Return on equity (post-tax) <sup>4</sup>	11.0%	10.5%
Total property investment return <sup>5</sup>	12.0%	12.3%
Total platform return <sup>6</sup>	12.3%	15.0%

Note: Balance sheet presented is the consolidated balance sheet of CHC which includes Charter Hall Direct Diversified Consumer Staples Fund (DCSF) at 100%

1. Includes DCSF assets \$76m, distributions and fees receivable

2. Net of swap mark-to-market of \$19.5m relating to the USPP notes (representing USPP repayment value of \$231.5m)

3. Net tangible assets (NTA) per stapled security (\$) is calculated using assets less liabilities, net of intangible assets, related deferred tax and non-controlling interests in DCSF

4. Return on equity is calculated as total operating earnings pre-tax/post tax per security divided by the opening NTA per security

5. Total Property Investment Return is calculated as distributions received from funds plus growth in investment value divided by the opening investment value of the PI portfolio for the 12 months to 31 December 2018. This excludes investments held for less than a year and investments in Direct funds

6. Total Platform Return is calculated as growth in net tangible assets (NTA) per security plus distributions per security divided by the opening NTA per security for the 12 months to 31 December 2018

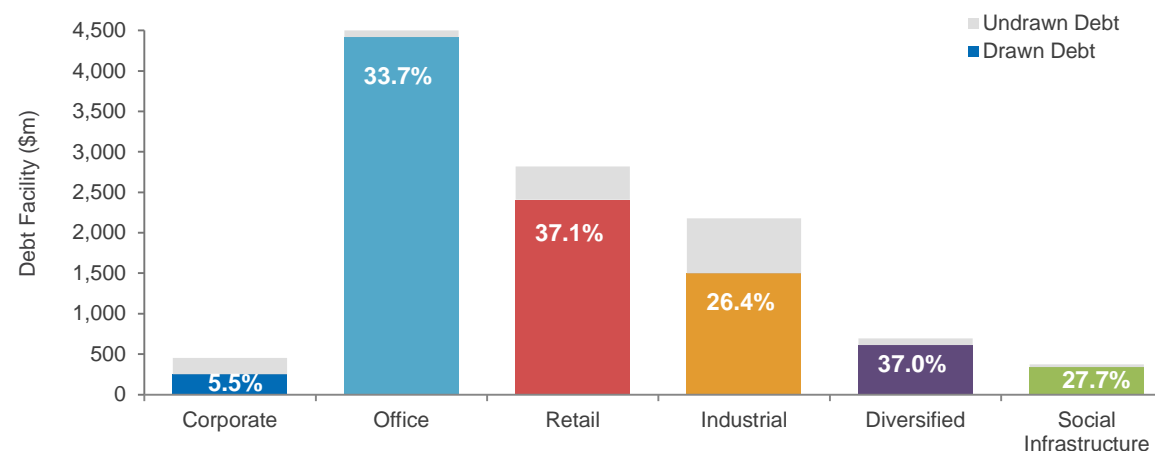
## Financial Result

## Debt and capital management

- Group wide capital portfolio continues to deliver in line with strategy
  - Substantial funding capacity available across the Group with \$2.6 billion of available liquidity
  - \$4.1 billion of new and refinanced debt facilities agreed in 1H19 with no material maturities in FY20

Key debt metrics funds platform	31 Dec 2018	30 Jun 2018
Combined fund facility limits (\$m)	11,849	10,256
Combined fund undrawn debt (\$m)	2,287	2,870
Total group cash (\$m)	298	526
Look through gearing (%)	33.2%	27.3%
Look through weighted average debt maturity (yrs) <sup>1</sup>	4.0	4.3
Look through weighted average cost of debt <sup>2</sup>	4.05%	4.17%
Look through interest rate hedging (%)	53%	56%

## Drawn Debt (\$m) and Gearing (%) by Sector



1. Duration is based on facility limits

2. Passing cost of debt is on a look through basis and includes floating rate, hedge rate, margins, line fee but excludes undrawn line fees and amortised borrowing costs



# 5. Outlook & Guidance





## Outlook & Guidance

# FY19 earnings guidance

We believe the property market landscape will continue to accommodate growth

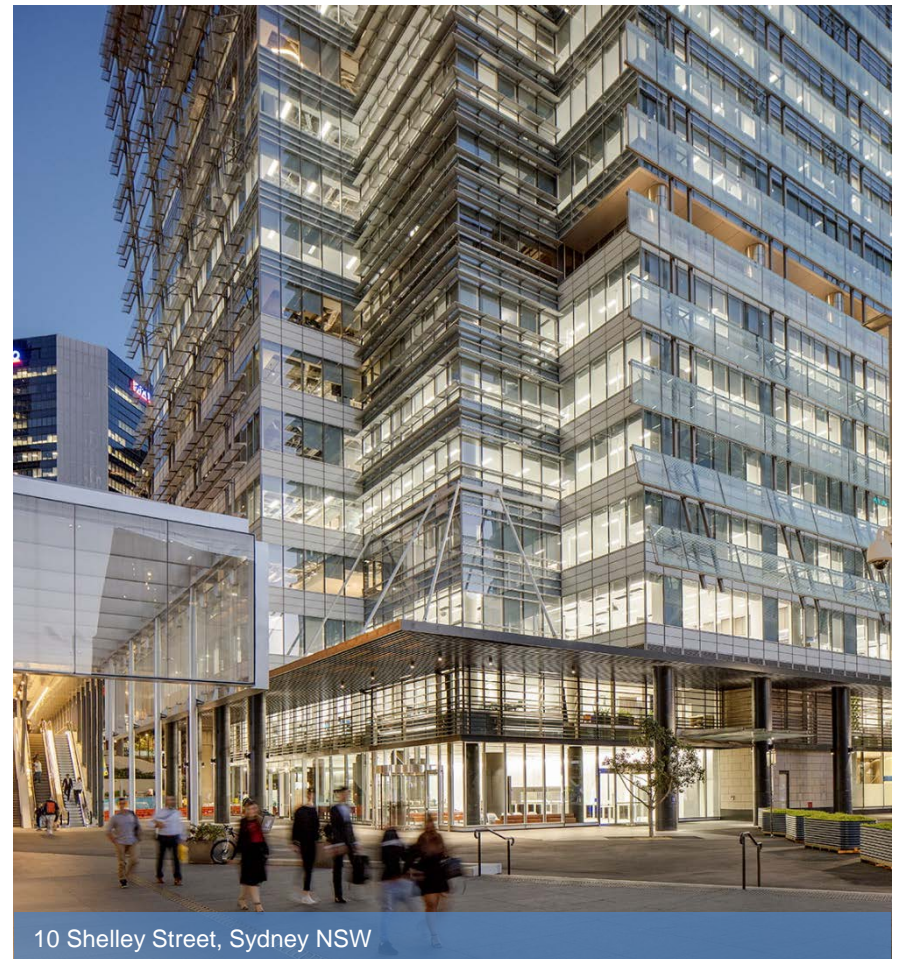
- **Asset growth** is expected in submarkets that are underpinned by **favourable property fundamentals** where there is effective rental growth
- **Continued equity flows** expected for fund managers with strong track records

### Our guidance is as follows:

Based on no material change in current market conditions, our FY19 guidance is for 14%-17% growth in post-tax operating earnings per security over FY18

FY19 guidance includes a \$40m accrual (\$20m in each half) for the CHOT performance fee

The distribution payout ratio is expected to be between 70% and 95% of operating earnings per security post-tax





# 6. Additional information

- Property Funds Management
- Property Investment

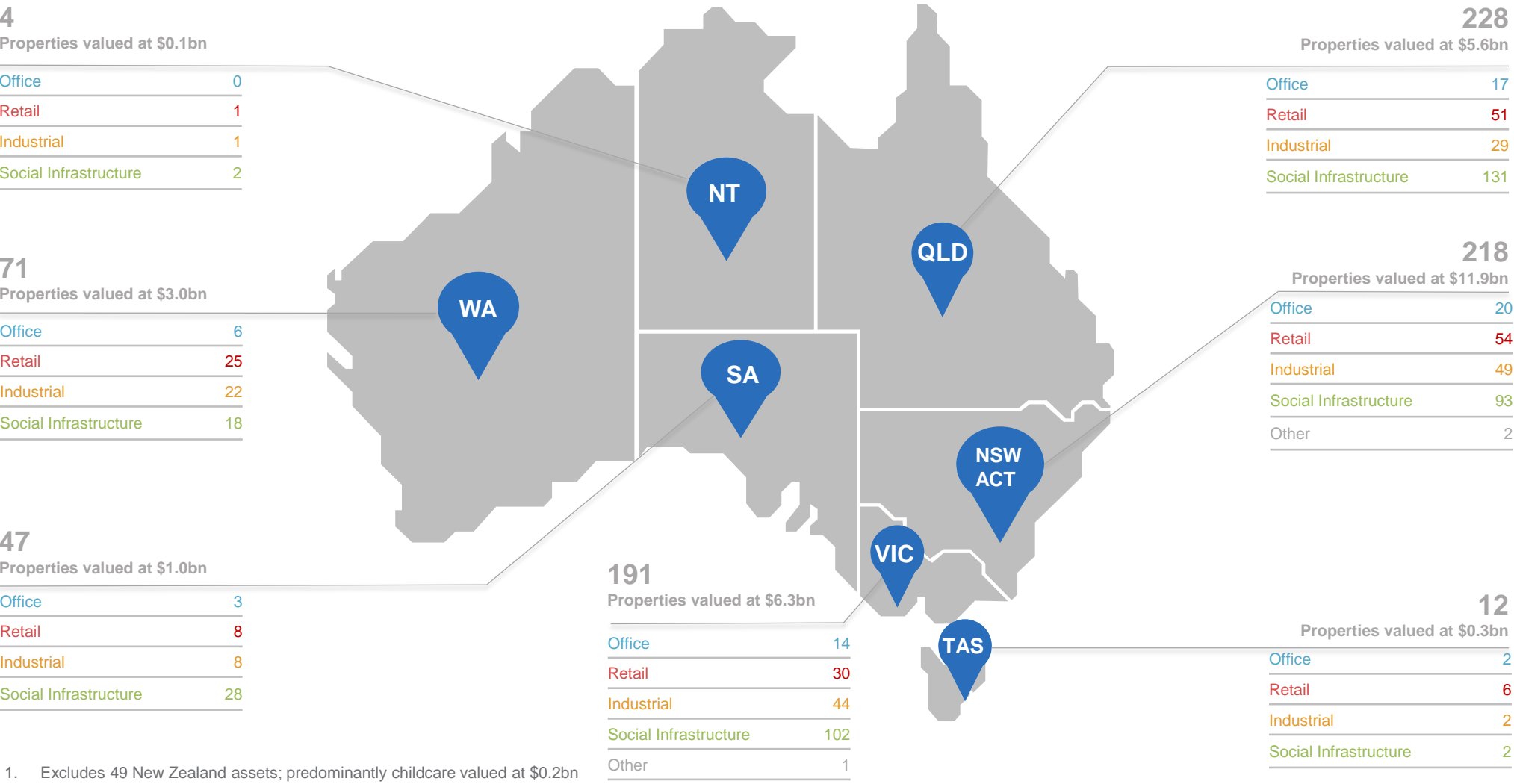




# Appendix 6.1 Property Funds Management



# Charter Hall group property overview<sup>1</sup>



## Appendix – Property Funds Management

## Charter Hall managed funds

	Office \$13.2bn			Industrial \$7.1bn		Retail \$6.6bn			Social Infrastructure/ Other \$1.5bn	
Wholesale Equity	CHOT \$2.9bn	CPOF <sup>1</sup> \$5.3bn	BSWF <sup>1</sup> \$0.6bn	CLP \$1.8bn	CPIF \$3.4bn	LWHP \$1.2bn	RP2 \$0.1bn	LWIPs <sup>3</sup> \$0.6bn	CIB \$0.1bn	
	CCT \$0.5bn	Mandates \$0.5bn	DVP \$0.1bn			RP6 \$0.3bn	Mandates \$0.3bn	CPRF \$0.4bn		
Retail Equity	DOF \$2.0bn	PFA \$0.7bn		DIFs/CDC \$1.0bn	DCSF <sup>2</sup> \$37m	DATs \$0.2bn	DCSF <sup>2</sup> \$84m		Maxim \$0.1bn	
	SOPs \$0.1bn					BW Trust \$0.1bn	Altona \$47m		Other \$0.2bn	
Listed Equity	CLW <sup>2</sup> \$0.5bn			CLW <sup>2</sup> \$0.9bn		CQR \$2.8bn	CLW <sup>2</sup> \$0.5bn		CQE \$1.1bn	

Note Statistics on this page may not add due to rounding

1. CPOF holds 49.9% of the units in the Brisbane Square Wholesale Funds (BSWF)
2. Diversified across the Office, Industrial and Retail sectors
3. LWIPs include LWIP and LWIP2. CLW hold 49.9% of the units in LWIP

## Appendix – Property Funds Management

# Office

“We create high-quality workplace environments for tenant customers and enhanced returns for our investors through actively managing, developing and acquiring assets to create one of the highest performing office property portfolios in Australia.”

**ADRIAN TAYLOR**  
OFFICE CEO



FUM  
**\$13.2bn**



PROPERTIES  
**62**



OCCUPANCY  
**97.7%**



WALE  
**6.7 yrs**



CAP RATE  
**5.34%**



CHC INVESTMENT  
**\$722m**



## Appendix – Property Funds Management

# Industrial

“As a leading industrial and logistics property group in Australia we create, own and manage a geographically diverse property portfolio that meets the strategic needs of our tenant customers while also meeting the long term return objectives of our investors.”

**RICHARD STACKER**  
INDUSTRIAL CEO



FUM  
**\$7.1bn**



PROPERTIES  
**156**



OCCUPANCY  
**98.8%**



WALE  
**10.2yrs**



CAP RATE  
**5.90%**



CHC INVESTMENT  
**\$391m**



## Appendix – Property Funds Management

# Retail

“As the leading owner and manager of convenience based Retail and with a portfolio of supermarket anchored shopping centres, hardware, automotive showrooms and hospitality assets, we are focused on optimizing performance and providing a secure and growing income stream for our investors.”

**GREG CHUBB**  
RETAIL CEO



FUM

**\$6.6bn**



PROPERTIES

**175**



OCCUPANCY

**98.0%**



WALE

**7.9yrs**



CAP RATE

**5.88%**



CHC INVESTMENT

**\$598m**

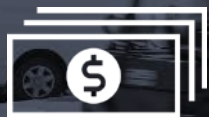


## Appendix – Property Funds Management

# Charter Hall Direct

“Charter Hall Direct Property is Australia’s leading direct property fund manager, with \$4.1 billion of real estate assets under management. We have a strong track record managing unlisted property funds and syndicates since 1995 and our products are consistently highly rated by external research groups.”

**STEVEN BENNETT**  
HEAD OF DIRECT PROPERTY



FUM

**\$4.1 bn**



PROPERTIES

**69**



OCCUPANCY

**99.6%**



WALE

**9.2 yrs**



CAP RATE

**5.85%**



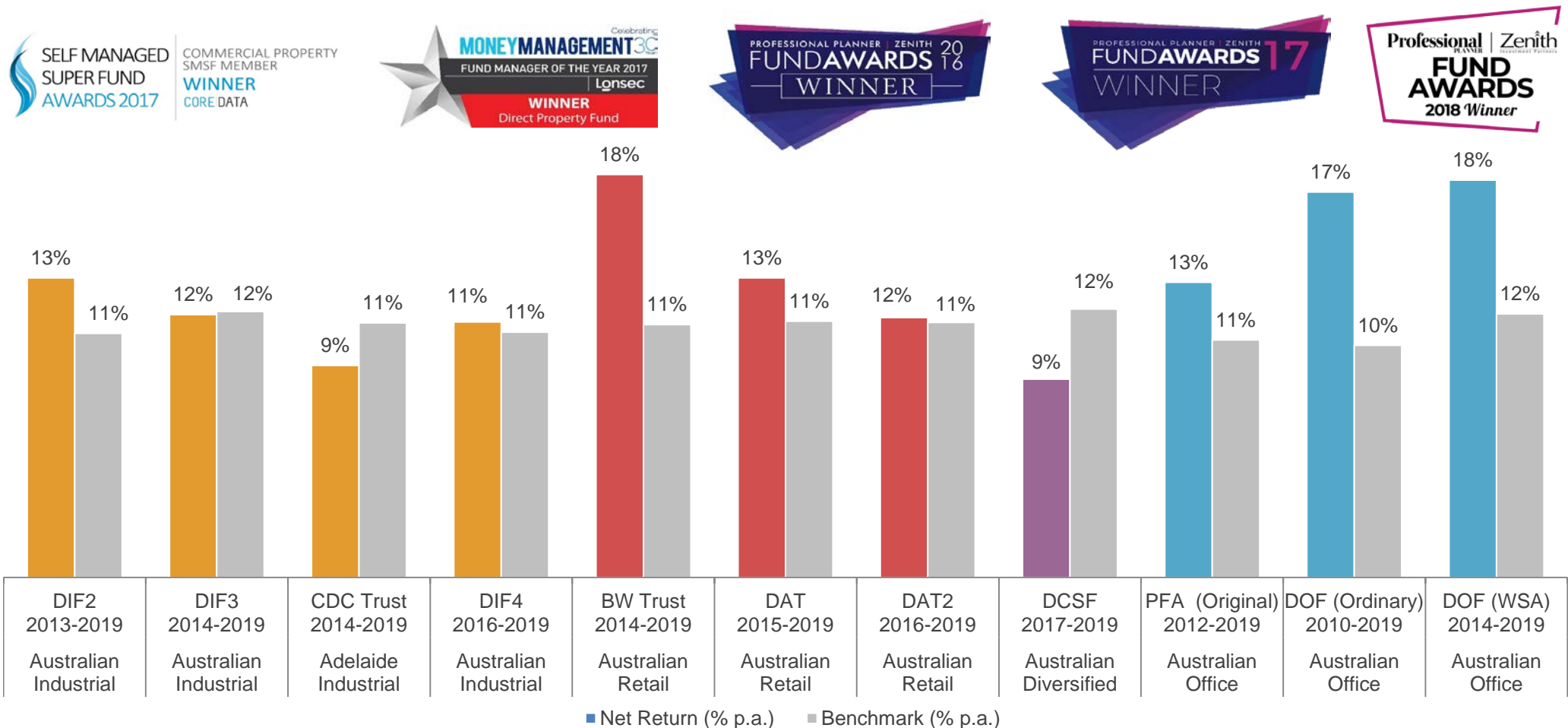
CHC INVESTMENT

**\$77 m**

## Appendix – Property Funds Management

# Direct funds net returns since inception

The active Direct Funds have returned 12.4% p.a. outperforming the benchmark<sup>1</sup> by 1.4%



1. Benchmark refers to the MSCI/IPD Unlisted Core Wholesale Property Fund Index



# Appendix 6.2 Property Investment

## Appendix – Property Investment

## Property Investment portfolio

	Ownership stake%	Charter Hall Investment (\$m)	Charter Hall PI Income (\$m)	WALE (years)	WACR (%)	WADR (%)	WARR (%)	PI Yield <sup>2</sup> (%)
<b>Office</b>		<b>637.3</b>	<b>17.4</b>	<b>5.7</b>	<b>5.23%</b>	<b>6.7%</b>	<b>3.8%</b>	<b>5.6%</b>
Charter Hall Prime Office Fund (CPOF)	7.6%	268.7	6.3	6.6	5.16%	6.7%	3.8%	4.9%
Charter Hall Office Trust (CHOT)	15.7%	251.9	7.1	4.4	5.07%	6.6%	3.9%	5.8%
Brisbane Square Wholesale Fund (BSWF)	16.8%	104.7	3.5	8.1	5.73%	6.9%	3.7%	6.9%
Counter Cyclical Trust (CCT)	5.0%	11.7	0.5	4.9	5.77%	6.7%	3.7%	8.9%
Charter Hall PFA Fund (PFA)	0.1%	0.3	0.0	8.6	6.28%	7.2%	3.5%	7.1%
<b>Industrial</b>		<b>259.0</b>	<b>8.5</b>	<b>9.7</b>	<b>5.74%</b>	<b>7.0%</b>	<b>3.0%</b>	<b>5.8%</b>
Core Logistics Partnership (CLP)	9.2%	103.0	4.2	10.0	5.70%	6.9%	3.0%	5.9%
Charter Hall Prime Industrial Fund (CPIF)	5.1%	124.5	3.3	9.1	5.76%	7.1%	3.0%	5.5%
Direct Investment Trust No. 4 (DIF4)	14.1%	31.5	1.0	11.0	5.83%	7.4%	2.8%	6.2%
<b>Retail</b>		<b>518.7</b>	<b>17.0</b>	<b>6.4</b>	<b>5.92%</b>	<b>7.2%</b>	<b>3.9%</b>	<b>6.5%</b>
Charter Hall Retail REIT (ASX:CQR) <sup>1</sup>	17.7%	310.4	11.3	6.5	6.14%	7.3%	4.1%	7.2%
Long WALE Hardware Partnership (LWHP)	13.5%	93.4	2.3	8.8	5.44%	7.0%	2.9%	5.1%
Charter Hall Prime Retail Fund (CPRF) <sup>1</sup>	29.4%	59.5	1.7	5.1	5.79%	7.2%	4.5%	5.9%
Retail Partnership No. 6 (RP6) <sup>1</sup>	20.0%	37.4	0.9	5.3	5.59%	7.3%	3.7%	5.1%
Long WALE Investment Partnership (LWIP)	0.1%	0.5	0.3	15.6	5.80%	7.2%	2.2%	6.6%
Long WALE Investment Partnership 2 (LWIP2)	10.0%	10.9	0.3	16.7	5.83%	7.3%	2.2%	6.6%
Retail Partnership No. 2 (RP2) <sup>1</sup>	5.0%	6.6	0.2	4.6	5.75%	7.3%	4.3%	6.2%
<b>Diversified</b>		<b>290.6</b>	<b>8.4</b>	<b>10.8</b>	<b>6.23%</b>	<b>7.4%</b>	<b>3.0%</b>	<b>6.0%</b>
Charter Hall Long WALE REIT (ASX:CLW)	19.0%	217.6	6.2	12.6	6.19%	7.3%	2.8%	6.3%
Discretionary Consumer Staples Fund (DCSF)	51.0%	45.7	1.6	8.1	6.26%	7.6%	3.1%	6.0%
Deep Value Partnership (DVP)	50.5%	27.3	0.6	1.9	6.49%	7.5%	4.0%	4.4%
<b>Social Infrastructure</b>		<b>115.7</b>	<b>1.2</b>	<b>9.5</b>	<b>6.42%</b>	<b>n/a</b>	<b>2.4%</b>	<b>7.4%</b>
Charter Hall Education Trust (ASX:CQE)	15.3%	115.7	1.2	9.5	6.42%	n/a	2.4%	7.4%
<b>Property Investment Total</b>		<b>1,821.3</b>	<b>52.5</b>	<b>7.5</b>	<b>5.73%</b>	<b>7.0%</b>	<b>3.5%</b>	<b>6.0%</b>

1. Refers to contracted weighted average rent reviews of the specialty tenants only

2. PI Yield is calculated as operating earnings divided by weighted average investment during the period. Excludes MTM movements in NTA during the year

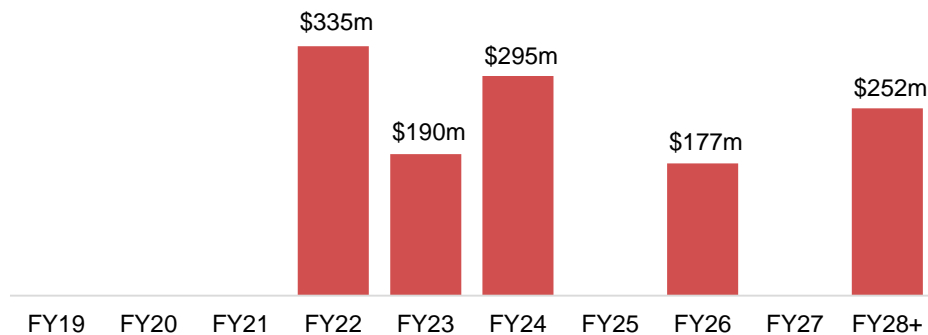
## Appendix – Property Investment

# Charter Hall Retail REIT (ASX:CQR)

### Key events during 1H FY19

- Divested two lower growth assets for a total consideration of \$76.1 million: Coomera Square, QLD (settled in December 2018) and a freestanding Woolworths asset in Young, NSW (settled in January 2019)
- Executed an unconditional contract to acquire Campbellfield Plaza, Vic for a total consideration of \$74 million (settled in January 2019)
- Lake Macquarie Fair redevelopment substantially complete with new Coles opened January 2019
- Refinanced \$335 million of debt facilities maturing in FY21 and FY22 with new facilities maturing over FY23 and FY24
- Weighted average debt maturity of 5.3 years with no debt maturing until FY22

### Debt expiry profile (by facility limit)

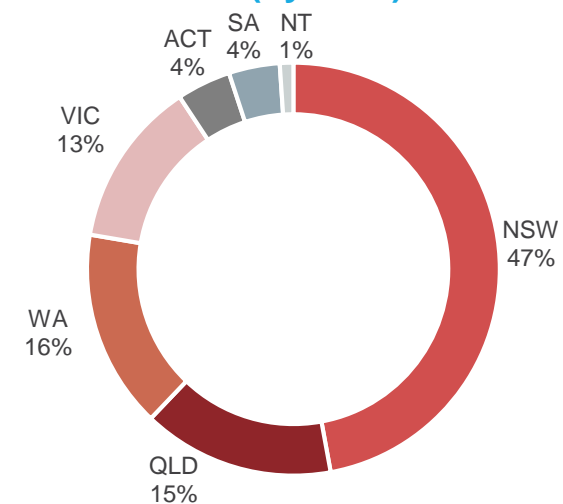


1. All metrics are on a look-through basis unless otherwise stated
2. Refers to contracted weighted average rent reviews of the specialty tenants only
3. Excludes assets held for sale

### Key metrics<sup>1</sup>

Gross property assets	\$2.8bn
Total debt	\$1.0bn
Gearing (balance sheet)	32.2%
Number of assets	58
Occupancy (weighted by GLA)	98.1%
WALE	6.5 years
WACR	6.1%
WARR <sup>2</sup>	4.1%
Charter Hall interest	17.7%
Charter Hall co-investment	\$310.4m

### Geographic allocation (by GAV)<sup>3</sup>





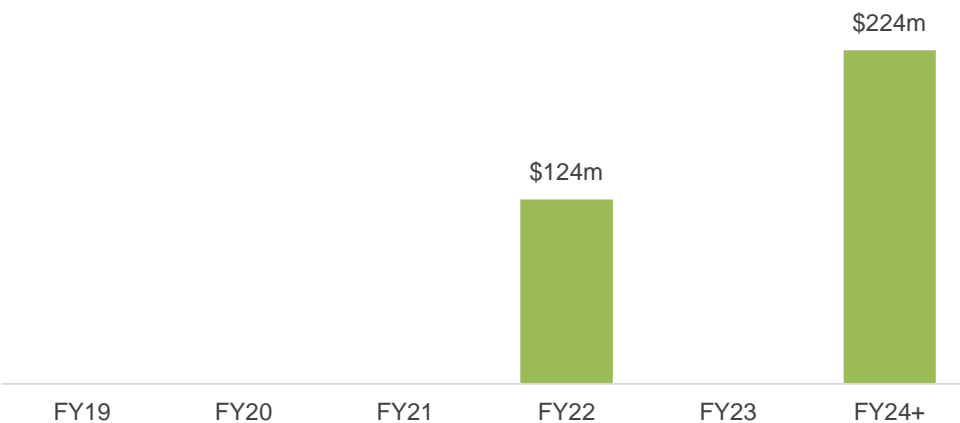
## Appendix – Property Investment

# Charter Hall Education Trust (ASX:CQE)

### Key events during 1H FY19

- Distribution of 8.0 cents per unit (“cpu”), an increase of 6.0% on pcg
- NTA per unit of \$2.87, an increase of 3.2% from \$2.78 per unit at 30 June 2018
- Debt facility of \$347.0m refinanced in August 2018 including \$100m institutional loan with AustralianSuper resulting in weighted average debt maturity of 4.6 years as at 31 December 2018
- Development pipeline of 27 sites with a forecast completion value of \$167 million

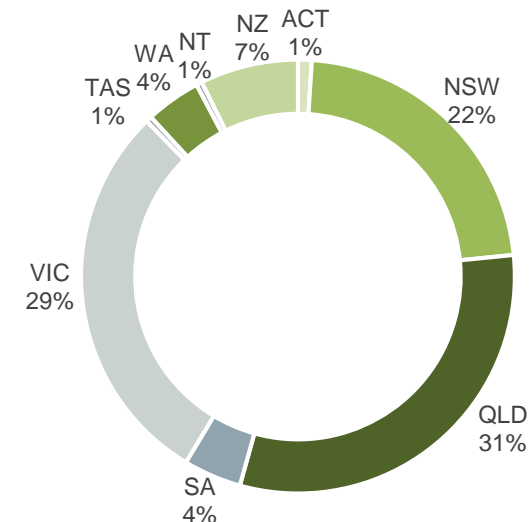
### Debt expiry profile (by facility limit)



### Key metrics

Gross assets	\$1.1bn
Total debt	\$0.3bn
Gearing (balance sheet)	29.9%
Number of assets	413
Occupancy	99.7%
WALE	9.5 years
WACR	6.4%
WARR	2.6%
Charter Hall interest	15.3%
Charter Hall co-investment	\$115.7m

### Property Geographic allocation (by GAV)



## Appendix – Property Investment

# Charter Hall Office Trust (CHOT)

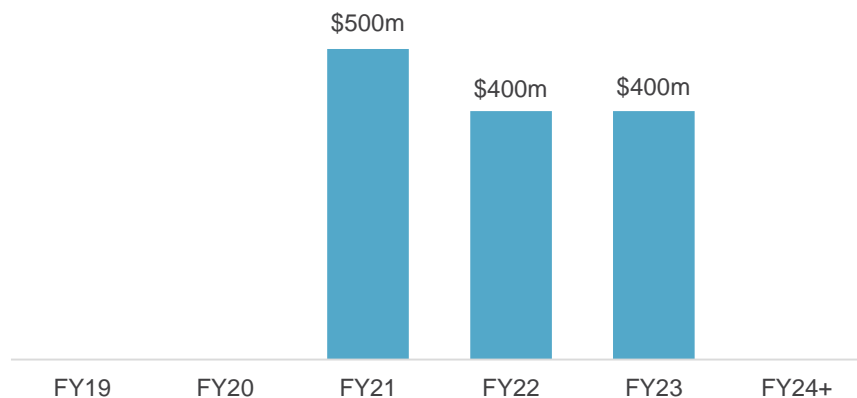
### Key events during 1H FY19

- Valuations – externally valued at \$2.9bn at 31 Dec-18 representing a net increase of \$94.7m or 3.4% against the Jun-18 book valuations
- Leasing HOA for a new pre-committed development
- Capital transactions – divestment of Capital Hill during the HY19 for \$60m, after securing the QLD Government for 10 years over the entire asset

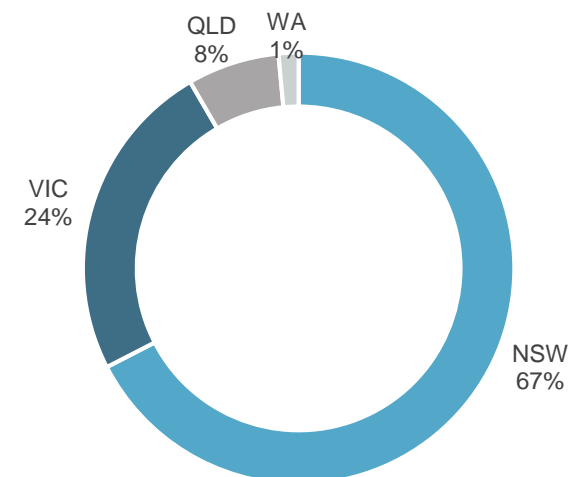
### Key metrics

Gross property assets	\$2.9bn
Total drawn debt	\$1.2bn
Gearing (balance sheet)	40.5%
Number of assets	9
Occupancy	95.5%
WALE	4.4 years
WACR	5.1%
WARR	3.9%
Charter Hall interest	15.7%
Charter Hall co-investment	\$251.9m

### Debt expiry profile (by facility limit)



### Geographic allocation (by GAV)



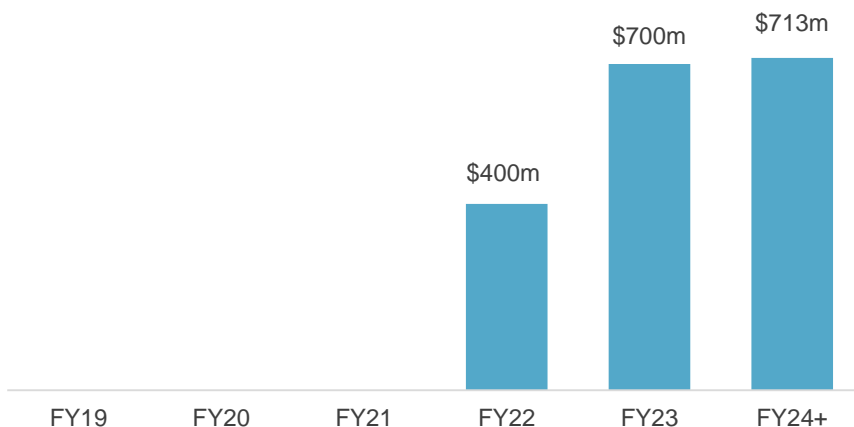
## Appendix – Property Investment

# Charter Hall Prime Office Fund (CPOF)

### Key events during 1H FY19

- The Fund returned 15.3% in the 12 months to 31 December 2018, outperforming the MSCI Unlisted Wholesale Core Office Index benchmark by +1.7% over the same period. The Fund has consistently outperformed this benchmark over 3, 5 and 10 years
- The Fund's Gross Asset Value (GAV) grew to \$5.3bn during the period driven by revaluation uplift of \$176.2m (+3.9%) and the strategic acquisition of:
  - 555 Collins Street, Melbourne
  - 2 Chifley Square, Sydney (Freehold)
  - 50% of 10 Shelly Street, Sydney
  - 50% of 12 Shelly Street, Sydney
- The Fund successfully executed ~83,000sqm of leases during the period further enhancing the portfolios resilience

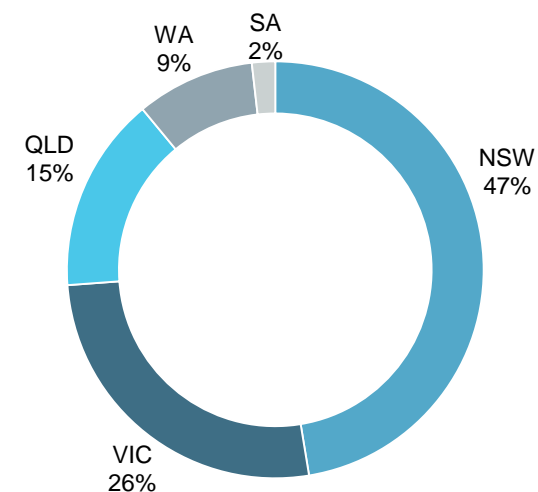
### Debt expiry profile (by facility limit)



### Key metrics

Gross property assets	\$5.3bn
Total debt	\$1.5bn
Gearing (balance sheet)	27.7%
Number of assets	26
Occupancy	99.0%
WALE	6.6 years
WACR	5.2%
WARR	3.8%
Charter Hall interest	7.6%
Charter Hall co-investment	\$268.7m

### Geographic allocation (by GAV)





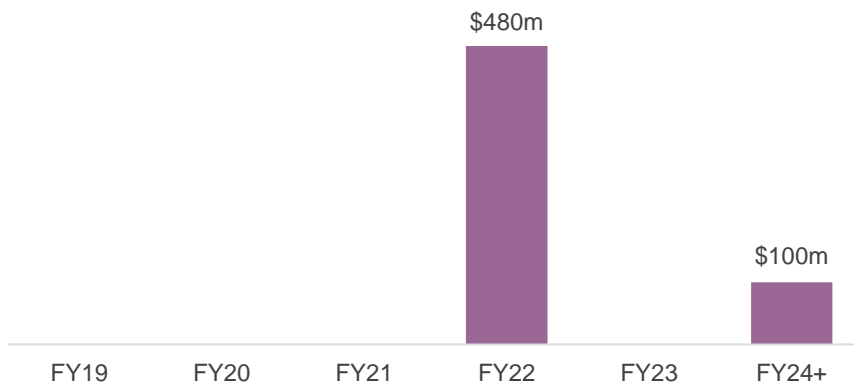
## Appendix – Property Investment

# Charter Hall Long WALE REIT (ASX:CLW)

### Key events during 1H FY19

- Operating EPS and DPS of 12.9 cents and NTA per security of \$4.01
- Continued to actively manage the portfolio to enhance diversification, improve tenant quality and increase WALE
  - Total acquisitions of \$491.9 million, including entry into the agri-logistics sector via the \$207 million Inghams portfolio acquisition
  - Total divestments of \$173.7m, including Grace Worldwide and 50% of ATO Adelaide
- WALE of 12.6 years, up from 10.8 years as at 30 June 2018
- Balance sheet gearing of 31.5% within target range of 25.0% to 35.0%
- Weighted average debt maturity of 4.2 years

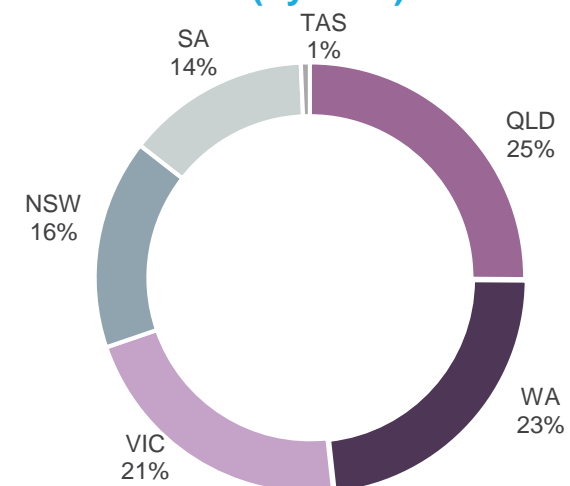
### Debt expiry profile (by facility limit)



### Key metrics

Gross property assets	\$1.9bn
Total debt (balance sheet)	\$0.5bn
Gearing (balance sheet)	31.5%
Number of assets	113
Occupancy	100.0%
WALE	12.6 years
WACR	6.2%
WARR	2.8%
Charter Hall interest	19.0%
Charter Hall co-investment	\$217.6

### Geographic allocation (by GAV)



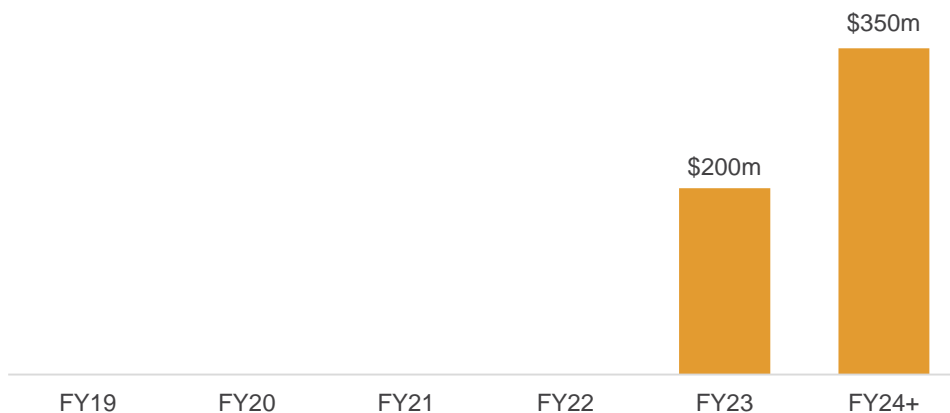
## Appendix – Property Investment

# Core Logistics Partnership (CLP)

### Key events during 1H FY19

- Acquisition of three assets for \$84m settled during the half year including the Coles DC at Smeaton Grange NSW and the Coca Cola facility at Kewdale WA both an extension of existing customer relationships in the Fund.
- New leases over 51,500sqm of GLA were executed. These included 36,200sqm of leases in the Fund's stabilised portfolio and 15,300sqm of new preleases supporting the Fund WALE of 10.0 years.
- Refinanced \$350m CBA facility and diversified the lenders with NAB and ING Bank joining foundation lender CBA. Debt maturity increased to 4.5 years, an improvement from 2.9 years as at June 2018

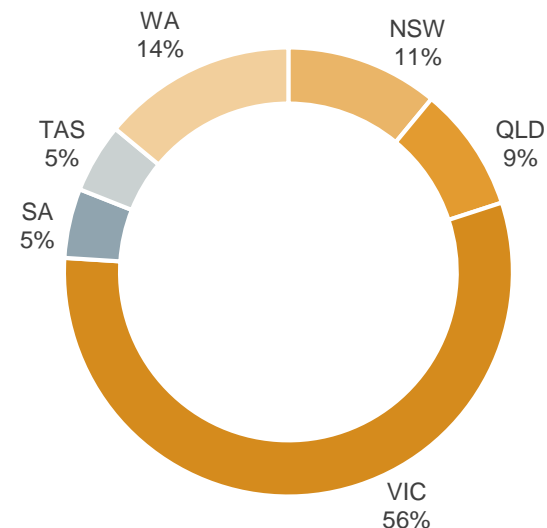
### Debt expiry profile (by facility limit)



### Key metrics

Gross property assets	\$1.8bn
Total debt	\$0.4bn
Gearing (balance sheet)	25.1%
Number of assets	31
Occupancy	100.0%
WALE	10.0 years
WACR	5.7%
WARR	3.0%
Charter Hall interest	9.2%
Charter Hall co-investment	\$103.0m

### Geographic allocation (by GAV)



## Appendix – Property Investment

# Charter Hall Prime Industrial Fund (CPIF)

### Key events during 1H FY19

- Acquisition of eight assets for \$296m settled during the half year with a combined WALE of 15.3 years improving the Fund closing WALE of 9.1 years. The acquisition introduces new tenant customers such as Bombardier Transport Australia and Australian Border Protection and increases foothold with existing customers such as Coca-Cola, Coles and Prixcar.
- Completion of \$82m of developments at Chullora NSW and Berrinba QLD
- New leases over 134,900sqm of GLA were executed. These included 76,200sqm of executed leases on the Fund's stabilised portfolio and 58,700sqm of new pre-leases on the Fund's existing land holdings
- Issued A\$150m USPP with a 9.5 year maturity improving portfolio debt maturity to 5.3 years

### Debt expiry profile (by facility limit)

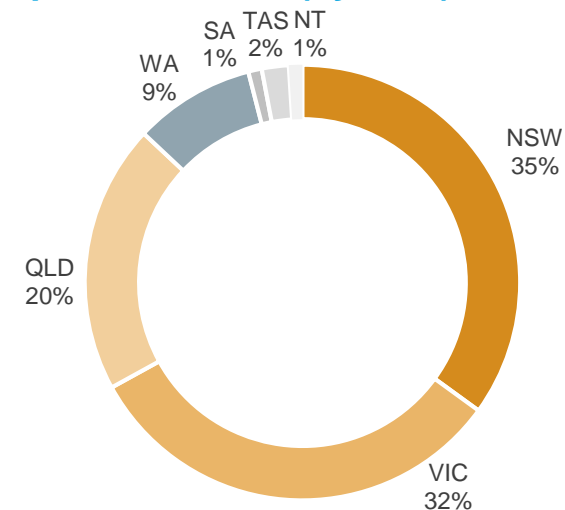


1. Syndicated debt facility was refinanced in January 2019 for a 5 year maturity term

### Key metrics

Gross property assets	\$3.4bn
Total debt	\$0.7bn
Gearing (balance sheet)	22.4%
Number of assets	62
Occupancy	97.2%
WALE	9.1 years
WACR	5.8%
WARR	3.0%
Charter Hall interest	5.1%
Charter Hall co-investment	\$124.5m

### Geographic allocation (by GAV)





## Appendix – Property Funds Management

# Portfolio performance review dates

Fund	Portfolio Performance Review Dates
Charter Hall Office Trust (CHOT)	FY20
Charter Hall Prime Office Fund (CPOF)	3 yearly – FY21
Brisbane Square Wholesale Fund (BSWF)	3 yearly – FY19
Counter Cynical Trust (CCT)	FY25
Deep Value Partnership (DVP)	FY26 plus individual asset divestment performance fees
Charter Hall Prime Industrial Fund (CPIF)	3 yearly – FY19
Core Logistics Partnership (CLP)	7 yearly – FY20 plus individual asset divestment performance fees
Long WALE Hardware Partnership (LWHP)	7 yearly – FY22 plus individual asset divestment performance fees
Retail Partnership No. 2 (RP2)	7 yearly – FY22
Retail Partnership No. 6 (RP6)	7 yearly – FY22
Direct Office Fund (DOF)	5 yearly – FY20
Charter Hall PFA Fund (PFA)	5 yearly – FY23 or individual asset divestment performance fees
Charter Hall Direct BW Trust (BW Trust)	FY19
Charter Hall Direct CDC Trust (CDC)	FY20
Charter Hall Direct Industrial Fund No. 2 (DIF2)	FY20
Charter Hall Direct Industrial Fund No. 3 (DIF3)	FY22
Charter Hall Direct Industrial Fund No. 4 (DIF4)	5 yearly – FY22
Charter Hall Direct Automotive Trust (DAT)	FY22
Charter Hall Direct Automotive Trust No. 2 (DAT2)	FY22
Charter Hall Direct Consumer Staples Fund (DCSF)	5 yearly – FY23

## Additional information

## Fund key and glossary

Listed entities		Direct funds	
ASX:CHC	Charter Hall Group	BW Trust	BW Trust (Direct syndicate)
ASX:CQR	Charter Hall Retail REIT	CDC	Charter Hall Direct CDC Trust
ASX:CLW	Charter Hall Long WALE REIT	DIF2, DIF3, DIF4	Direct Industrial Fund series
ASX:CQE	Charter Hall Education Trust	DOF	Direct Office Fund
Wholesale funds		PFA	Direct PFA Fund
BSWF	Brisbane Square Wholesale Fund	DAT, DAT2	Charter Hall Direct Automotive Trust Series
CHOT	Charter Hall Office Trust	DCSF	Charter Hall Direct Consumer Staples Fund
CCT	Charter Hall Counter Cyclical Trust	Other	
CLP	Core Logistics Partnership	CAGR	Compound Annual Growth Rate
CPIF	Charter Hall Prime Industrial Fund	FUM	Funds Under Management
CPOF	Charter Hall Prime Office Fund	NTA	Net Tangible Assets
CPRF	Charter Hall Prime Retail Fund	OEPS	Operating Earnings per Security
LWHP	Long WALE Hardware Partnership	PFM	Property Funds Management
LWIP, LWIP 2	Long WALE Investment Partnership series	PI	Property Investments
RP1, RP2, RP6	Retail Partnership series	WACR	Weighted Average Cap Rate
DVP	Deep Value Partnership	WADR	Weighted Average Discount Rate
		WALE	Weighted Average Lease Expiry
		WARR	Weighted Average Rent Review

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Additional information

# Contact information

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## Additional information

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