

ASX Release

Charter Hall acquires Melbourne CBD Global Headquarters of Telstra 12 July 2019

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Charter Hall Group (ASX:CHC) (Charter Hall or the Group) today confirmed that it has formed a partnership to acquire 100% of the freehold interest in the Global HQ of Telstra at 242 Exhibition Street at the “Paris end” of Melbourne’s CBD, for a total consideration of \$830 million. The property will be owned by a wholesale partnership comprising the \$5.4 billion Charter Hall Prime Office Fund (CPOF), the Public Sector Pension Investment Board (PSP Investments) and the Group.

The property comprises a premium 47 storey office tower, which provides for 65,913 sqm of NLA, incorporating 63,398 sqm of office accommodation over 43 floors and associated retail and car parking.

The property is currently undergoing an extensive base building upgrade works program, which includes full vertical transportation & mechanical upgrades and enhanced end of trip facilities.

The building is leased to Telstra Corporation (99.6% by NLA) and has a weighted average lease expiry (WALE) of 11.9 years with the Telstra lease expiring in FY32 plus subsequent options for renewal, benefiting from annual fixed rental reviews of 3.5%. The acquisition will see Charter Hall continue to grow its national relationship with Telstra, which built the building for owner occupation in 1992.

Charter Hall Group Managing Director and CEO, David Harrison commented: “This off market transaction which settles in the 1H FY20, reflects the deep relationships we have across our platform with both investor and tenant customers, with capacity to fund major transactions in the Australian market. We have a strong track record of creating institutional quality investment opportunities that deliver long term sustainable income for our investors.

“The Melbourne CBD recorded 153,650 sqm of net demand in the year to 31 March 2019 – double that of Sydney CBD (71,800 sqm) - and was the strongest of any Australian CBD office market.¹ Continued strong tenant demand has placed downward pressure on the Melbourne CBD vacancy rate, which now stands at 3.7% the lowest level since 1989.” Mr Harrison added.

Stephane Jalbert, Managing Director, Real Estate Investments, Europe and Asia Pacific for PSP Investments said: “Building on our successful existing partnership with Charter Hall in Australia, we are excited to be investing in this opportunity in the dynamic Melbourne CBD. The strong yield profile of this investment and positive growth prospects for the city reinforce our long-term outlook of the Melbourne CBD office market.”

CPOF Fund Manager, Matthew Brown said: “Given the favourable Melbourne CBD office outlook this acquisition provides the Fund with a unique opportunity to further enhance the quality of its existing office portfolio whilst strengthening the quality of the Fund’s cash flow given the long WALE nature of the lease to a high-quality tenant covenant in Telstra.”

¹ Data source: JLL



CPOF is currently undertaking a capital raising with approximately \$300m of equity raised to date via a pre-emptive process with existing Fund investors. Proceeds from this raising will be used to help fund CPOF's existing develop to core office pipeline which has an on-completion value of approximately \$1.6 billion, to enhance the Fund's existing portfolio mix.

CPOF's Prime-Grade \$5.4 billion portfolio of 26 office properties is well positioned with over 89% located in the strongly performing eastern seaboard states with a current occupancy level of 99.1% and an average WALE of 7.2 years. The Fund has a weighted average asset age of approximately 9.2 years and strong exposure to high quality tenant covenants with 98% of income from investment grade, government or nationally recognised tenants.

The sale was negotiated by Cushman and Wakefield's Head of Capital Markets Australia and New Zealand, Josh Cullen.

About Charter Hall

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with \$28.4 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 \$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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