

Charter Hall Retail REIT

AGM
2017



**SECURITY
STABILITY
RESILIENCE**

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Board of Directors



John Harkness
Independent Chair



Alan Rattray-Wood
Independent Director



Sue Palmer
Independent Director



Michael Gorman
Independent Director



Greg Chubb
Executive Director
Group Head of Retail



David Harrison
Executive Director
Managing Director & Group CEO

Fund Management Team



Scott Dundas
Fund Manager



Christine Kelly
Head of Retail Finance &
Deputy Fund Manager

Independent Chair's Presentation



Our Strategy

#1 ACTIVE MANAGEMENT

Maintaining strong tenant relationships, optimising tenancy mix through proactive leasing and enhancing the overall shopper experience.

98.0%

stable occupancy

156

lease renewals
and 79 new leases

4.0%¹

majors MAT growth

6.8yrs

portfolio WALE
and Anchor WALE
of 10.4yrs

#2 ENHANCE PORTFOLIO QUALITY

Through value enhancing redevelopment, selective acquisitions of higher growth properties and low growth disposals.

\$2.8b

portfolio value

**3 acquisitions
of high quality**

properties acquired for
\$282.6m at a yield of 6.0%

8 divestments

for **\$157.2m** at an average
yield of 6.5%

\$253m

redevelopment pipeline

#3 PRUDENT CAPITAL MANAGEMENT

With a focus on a strong and flexible balance sheet, prudent gearing and a sustainable payout ratio.

6.1yrs

weighted average debt maturity

33.1%

balance sheet gearing

36.2%

look through gearing

2 new

bank lenders delivering
Increased debt diversity

Corporate Responsibility and Sustainability

ECO INNOVATION

Resilience

- Climate Change Adaptation Plan prepared for a retail development to future proof our assets for changing climates
- Environmental Management Framework commenced to meet AS 14001
- Emergency management framework commenced in Charter Hall portfolio

Environmental Performance

- Green Star Performance Ratings across Retail assets
- 3.5 Star Average NABERS¹ Weighted Rating for Retail Assets
- Renewable energy strategy approved. Solar installation commenced at Singleton Shopping Centre
- Portfolio partnership with Australian Women's Weekly encouraging families to waste less by turning leftovers into 'The Bestovers'

PLACE CREATION

Fit For Future

- Stakeholder engagement plans implemented in retail development
- Employment approach developed to support local employment needs in our communities

Culture of Innovation

- Place innovation implemented through community and startup use of our Places, including co-working with childcare, pop up community event space and social enterprise
- Place Index² developed and piloted in retail assets
- CQR adopted Charter Hall Group's Community investment approach Pledge 1% in making a difference in our communities

WELLBEING

Creating Healthy Spaces and Environments

- WELL³ Building Standard adopted in Charter Hall tenancies and WELL principles applied to shopping centre management office fitouts
- Charter Hall Group commenced Human Rights Framework⁴ review
- Ongoing pilots of new technology, to ensure extended life of plant and equipment known as Nanosure technology⁵.
- Major suppliers engaged on social procurement and the social procurement approach integrated into national contracts executed in FY17
- Wellbeing Survey undertaken for Charter Hall Group Employees by their Employee Assistance Provider

1. The National Australian Built Environment Ratings System (NABERS) is a performance-based environment impact rating system for existing buildings. Applied to retail centres over 15,000sqm

2. Place Index measures the impact of our success in place experience and collective impact in our buildings and communities

3. WELL Building Standard is an evidence-based system for measuring, certifying and monitoring the performance of building features that impact health and well-being

4. Human Rights Framework aims to integrate sustainable and equitable supply chain into assets and development

5. Nanosure is coating utilising nano-technology to create thinner, longer-lasting protection for air conditioning systems

Fund Manager's Presentation



2017 Highlights

“We have continued to grow the REIT, enhancing the quality of the portfolio by recycling out of lower growth into higher growth assets that are the dominant convenience based supermarket anchored centres in the catchment complimented by population growth.”

SCOTT DUNDAS
CQR FUND MANAGER

>150m

VISITATIONS
PER ANNUM

\$5.0b

RETAIL SALES
ANNUALLY

98%

STABLE OCCUPANCY

6.1 yrs

WEIGHTED AVERAGE
DEBT MATURITY

\$4.13

↑ 9.0%
NET TANGIBLE
ASSETS
PER SECURITY

\$2.8b

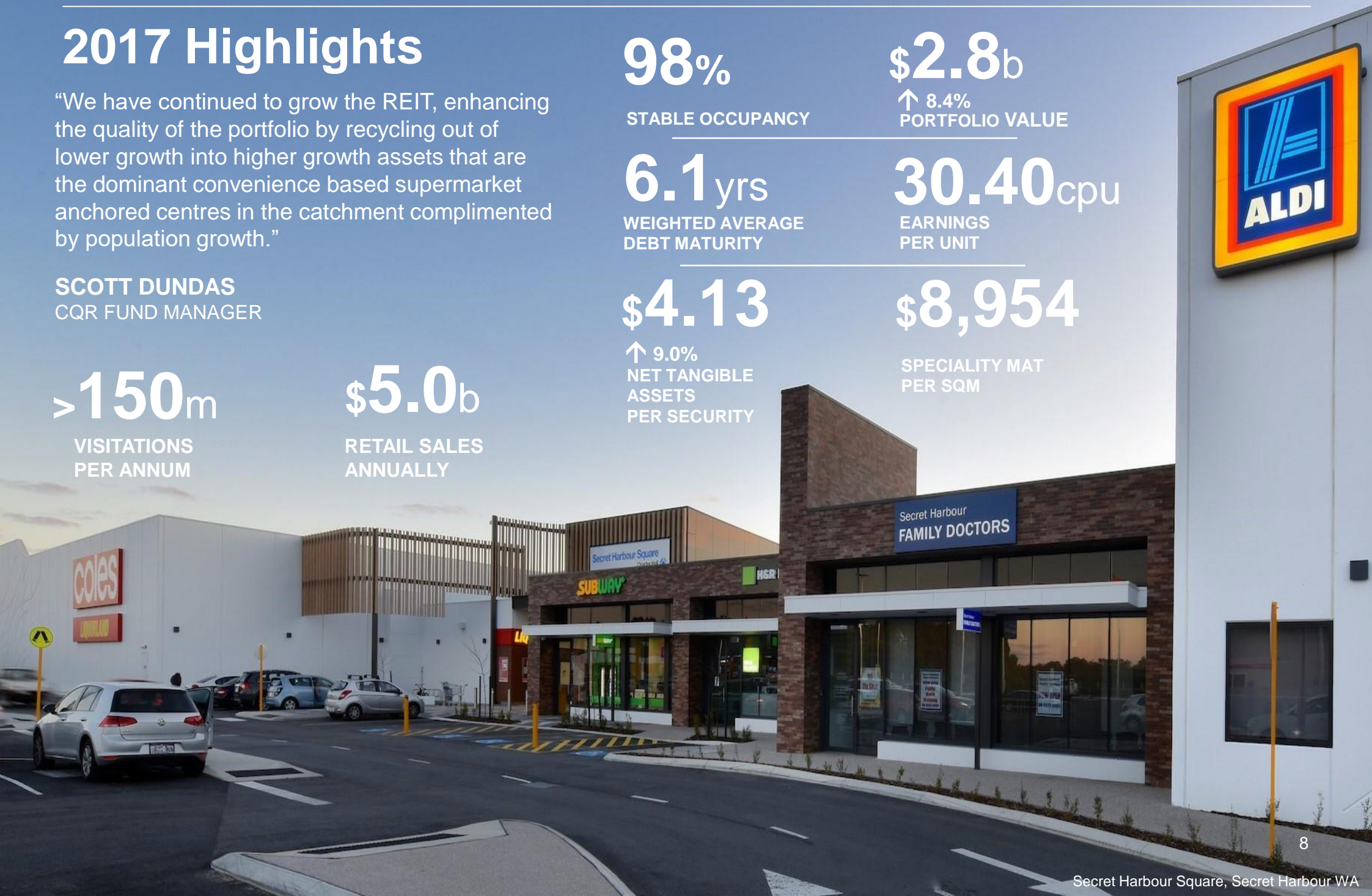
↑ 8.4%
PORTFOLIO VALUE

30.40cpu

EARNINGS
PER UNIT

\$8,954

SPECIALITY MAT
PER SQM

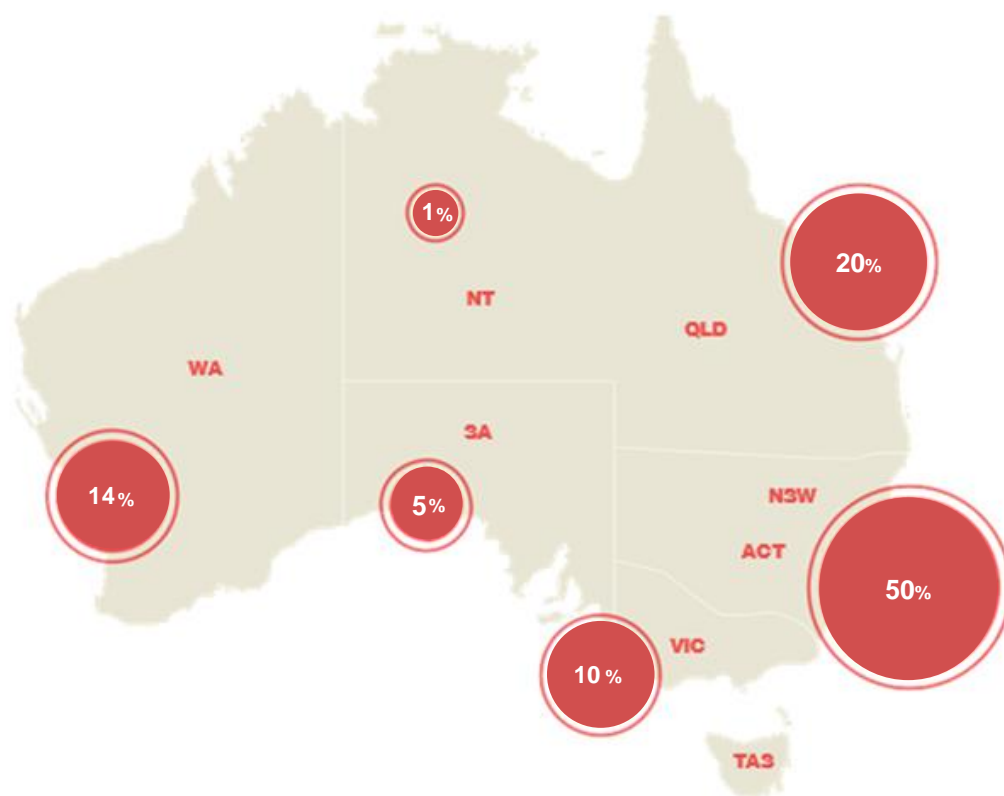


Portfolio Performance

As at 30 September 2017

Portfolio well positioned to continue to deliver a secure and growing income stream

ASSET VALUE BY STATE (%)



69

PROPERTIES

>575,000

GLA

98%

OCCUPANCY

\$2.9b

PORTFOLIO VALUE

10%

SPECIALTY
OCCUPANCY COST

1,962

SPECIALTY TENANCIES

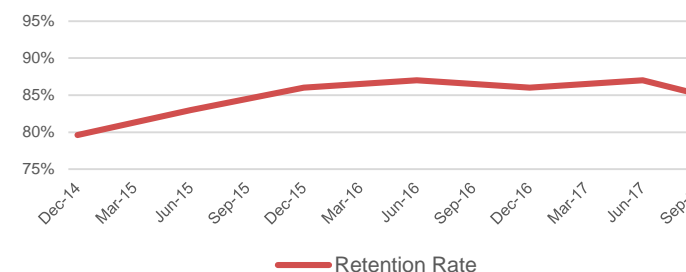
82

SUPERMARKETS

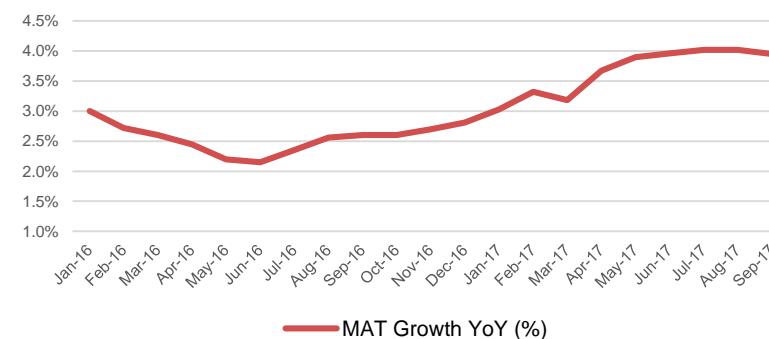
10yrs

ANCHOR WALE

Retention Rate



Anchor Tenant MAT Growth¹



1. Calculated on a 12 month rolling basis, for stores in turnover excluding developments

Acquisitions and Divestment Strategy

- Strategic focus is to deliver sustainable income growth by:
 - Increasing average asset size through:
 - Targeting acquisitions of larger neighbourhood and smaller sub-regional shopping centres
 - Redeveloping existing core assets with potential to deliver higher growth
 - Reducing exposure to freestanding and smaller neighbourhood assets with lower growth profiles
 - Ensuring all assets are the dominant convenience based shopping centre in their catchment
- Proceeds of divestments will be allocated to optimise returns via acquisitions, development, buy back or return of capital
- Timing of sales and acquisitions will be managed to minimise short term impact on earnings
- Expect to complete divestment process by end of FY18

Capital Transactions

Capital Recycling Improving Quality

- Strategy of enhancing the REIT's portfolio quality by recycling out of lower growth non-core smaller properties into larger, higher growth properties
- Requirement that all assets are the dominant convenience based shopping centre within their catchment
- Average asset value has increased from \$39.7 million at June 2016 to \$44.7 million at June 2017

	GLA (sqm)	Value \$m	Yield	Settlement
Acquisitions				
Arana Hills Plaza, Qld	16,406	67.1	6.0%	December 2016
Highfields Village, Qld	6,366	41.0	6.0%	July 2017
Salamander Bay Centre, NSW	23,869	174.5	6.0%	July 2017
Total	46,641	282.6	6.0%	

Disposals				
Pakington Strand, Vic. ¹	5,358	31.8	4.9%	October 2016
Caboolture Square, Qld	15,999	27.5	6.4%	November 2016
Moe-Kmart, Vic.	6,298	12.9	5.8%	December 2016
Newstead Coles, Tas.	1,622	9.0	7.3%	June 2017
Wharflands Plaza, SA	10,215	21.0	8.7%	July 2017
Gladstone Square, Qld ¹	6,924	31.5	7.2%	July 2017
Narrabri Coles & Target, NSW	3,185	10.5	6.7%	September 2017
Rosehill Woolworths, NSW	2,440	13.0	5.1%	September 2017
Moranbah Fair, Qld	7,103	25.0	7.8%	December 2017
Total	59,144	182.2	6.7%	

1. Represents 100% ownership. CQR's share of ownership is 50%

Acquisitions

Convenience based shopping centres dominate in their catchment



Highfields Village Shopping Centre, Qld

Highfields Village is a strongly performing convenience-based centre located at Highfields a major residential expansion corridor approximately 8 kilometres north of the Toowoomba CBD. Competition within the main trade area is limited, and the Centre has future expansion potential, with three pad sites.

Highlights

Purchased:	July 2017
Price:	\$ 41.0 million
Capitalisation rate:	6.0%
Centre size:	6,366 sqm GLA
Major tenants:	Woolworths
Others:	20 specialty stores, 1 mini major, 1 kiosk, 6 ATMs



Arana Hills Plaza, Qld

Arana Hills Plaza is strategically located in the fast-growing metropolitan Brisbane suburb of Arana Hills and provides the dominant supermarket-anchored offering within its trade area. The centre provides for very accessible on-grade car parking for 822 vehicles. The property also has potential for future development.

Highlights

Purchased:	December 2016
Price:	\$ 67.1 million
Capitalisation rate:	6.0%
Centre size:	16,406 sqm GLA
Major tenants:	Coles, Kmart, Aldi
Others:	23 specialty stores, 4 kiosk, 2 ATMs



Salamander Bay Centre, NSW

Located in the Port Stephens region of NSW, northeast of Newcastle, the Salamander Bay Centre is a single level shopping centre that benefits from low levels of direct competition, with its captive trade area along with a resident population of 36,000 and strong tourism sector trade. The major anchors are either trading with turnover in excess of their percentage rent thresholds or are expected to pay percentage rent within the initial investment horizon.

Highlights

Purchased:	July 2017
Price:	\$ 174.5 million
Capitalisation rate:	6.0%
Centre size:	23,869 sqm GLA
Major tenants:	Coles, Woolworths, Kmart, Aldi, Target Country
Others:	64 specialty stores, 9 kiosk, 6 ATMs

Debt Restructuring

“These prudent capital initiatives have maintained the REIT’s weighted average debt maturity at 6.1 years, increased bank lending group from three to five and provided increased liquidity enabling the REIT to capitalise on acquisition and redevelopment opportunities”

CHRISTINE KELLY

HEAD OF RETAIL FINANCE AND DEPUTY FUND MANAGER

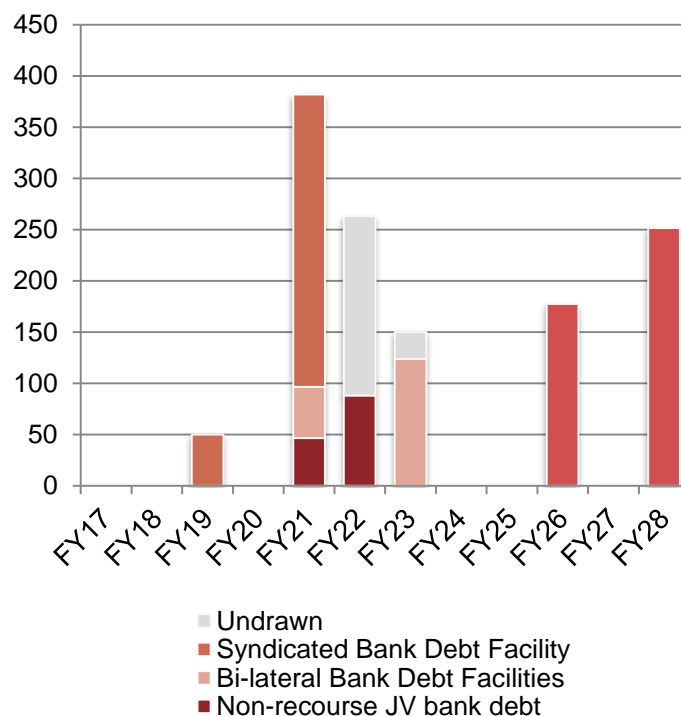
WEIGHTED AVERAGE
DEBT MATURITY

6.1yrs

WEIGHTED AVERAGE
HEDGE MATURITY

4.4yrs

Debt Maturity Profile



Key Metrics

	Jun 17	Jun 16
Average interest cost ¹ (%)	4.0	4.3
Weighted average debt maturity (years)	6.1	6.2
Weighted average hedge maturity (years)	4.4	4.0
Interest rate hedging ² (%)	59	72
ICR	4.6x	4.5x

1. Includes line fee (including cost of undrawn debt) and usage fee and excludes amortisation of upfront debt costs

2. For the next 12 month period

FY18 Outlook

- We confirm that, barring unforeseen events and subject to the timing of acquisitions and divestments, the REIT's FY18 guidance for operating earnings is expected to be between 30.2 to 30.6 cents per unit
- Distribution payout ratio range is expected to be between 90% and 95% of operating earnings



Salamander Bay Square, Salamander Bay NSW

Items of Business



Procedural Matters

- If there are any Unitholders who are eligible to vote who have not received their yellow voting card, please see a representative from Link Market Services at the registration desk
- Unitholders holding a red card are not eligible to vote but can speak at the meeting
- Visitors holding a blue card are not eligible to vote or speak at the meeting
- Copies of the Notice of Meeting and Annual Report are available from the registration desk

Formal Business

Both resolutions 1 and 2 are advisory only and non-binding on Charter Hall Retail Management Limited (“**CHRML**”) or the Directors of CHRML. However, the Directors of CHRML intend to give due consideration to the results of these resolutions to determine the composition of the Board of CHRML.

The Chair of the Meeting will vote all undirected available proxies ‘for’ each item of business.

Resolution 1

Election of Independent Director

To consider, and if thought fit, pass the following resolution, as an advisory, non-binding resolution of the Unitholders:

“That Michael Gorman, a Director of CHRML be elected as a director of CHRML”

Resolution 1

Proxies

FOR:	303,386,279	99.04%
OPEN:	842,542	0.28%
AGAINST:	2,109,105	0.69%
ABSTAIN:	425,716	

Resolution 2

Election of Independent Director

To consider, and if thought fit, pass the following resolution, as an advisory, non-binding resolution of the Unitholders:

“That John Harkness, a Director of CHRML be re-elected as a director of CHRML”

Resolution 2

Proxies

FOR:	262,476,142	85.68%
OPEN:	858,924	0.28%
AGAINST:	43,023,048	14.04%
ABSTAIN:	405,528	

Questions



Important Notice

Charter Hall Retail Management Limited ABN 46 069 709 468; AFSL 246996 ("CHRML") has issued this presentation in its capacity as the responsible entity of Charter Hall Retail REIT ARSN 093 143 965 ("CQR" or "the REIT"). This presentation has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account any potential investors' personal objectives, financial situation or needs. Before investing, you should consider your own objectives, financial situation and needs or you should obtain financial, legal and/or taxation advice.

CHRML does not receive fees in respect of the general financial product advice it may provide, however it will receive fees relating to the management of CQR which, in accordance with CQR's constitution, are calculated by reference to the value of the assets and the performance of CQR. Entities within the Charter Hall Group may also receive fees for managing the assets of, and providing resources to CQR. For more details on fees, see CQR's latest annual report. The information contained in this presentation has been prepared by CQR in good faith. No representation or warranty, express or implied, is made as to the accuracy, adequacy, reliability or completeness of any statements, estimates, opinions or other information contained in this presentation, any of which may change without notice. This includes, without limitation, any historical financial information and any estimates and projections and other financial information derived from them (including any forward-looking statement). Nothing contained in this presentation is, or may be relied upon, as a promise or representation, whether as to the past or the future. To the maximum extent permitted by law, CQR (including its respective unitholders, shareholders, directors, officers, employees, affiliates and advisers) disclaim and exclude all liability for any loss or damage suffered or incurred by any person as a result of their reliance on the information contained in this presentation or any errors in or omissions from this presentation. This presentation contains information as to past performance of CQR. Such information is given for illustrative purposes only, and is not – and should not be relied upon as – an indication of future performance of CQR. The historical information in this presentation is, or is based upon, information contained in previous announcements made by CQR to the market. These announcements are available at www.asx.com.au. This presentation contains certain "forward looking statements". Forward looking words such as "expect", "should", "could", "may", "will", "believe", "forecast", "estimate" and other similar expressions are intended to identify forward-looking statements. Such statements are subject to various known and unknown risks, uncertainties and other factors that are in some cases beyond CQR's control. These risks, uncertainties and factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements and from past results, performance or achievements. CQR cannot give any assurance or guarantee that the assumptions upon which management based its forward-looking statements will prove to be correct or exhaustive beyond the date of its making, or that CQR's business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. Such forward-looking statements only speak as at the date of this announcement and CQR assumes no obligation to update such information.

All information contained herein is current as at 30 September 2017 unless otherwise stated. All references to dollars (\$) are to Australian dollars, unless otherwise stated.

