

## 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%<sup>1</sup>
- 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."

<sup>1</sup> 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 RETURN<sup>1</sup>

**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 Highlights<sup>1</sup>



### Office

**55**

LEASING TRANSACTIONS EXECUTED ACROSS

**65,000**sqm

130 LONSDALE

**66%**

PRE-LEASED<sup>2</sup>

**\$1.2bn**

GROSS TRANSACTIONS

**7**

DEVELOPMENT PROJECTS  
COMPLETION VALUE

**\$1.8bn**



### Industrial

**10**

LEASING TRANSACTIONS EXECUTED ACROSS

**97,000**sqm

**\$419m**

GROSS TRANSACTIONS

**23**

DEVELOPMENT PROJECTS  
COMPLETION VALUE

**\$1.6bn**



### Retail

**91**

LEASING TRANSACTIONS EXECUTED ACROSS

**10,000**sqm

**\$497m**

GROSS TRANSACTIONS

**7**

DEVELOPMENT PROJECTS  
DEVELOPMENT SPEND

**\$325m**

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

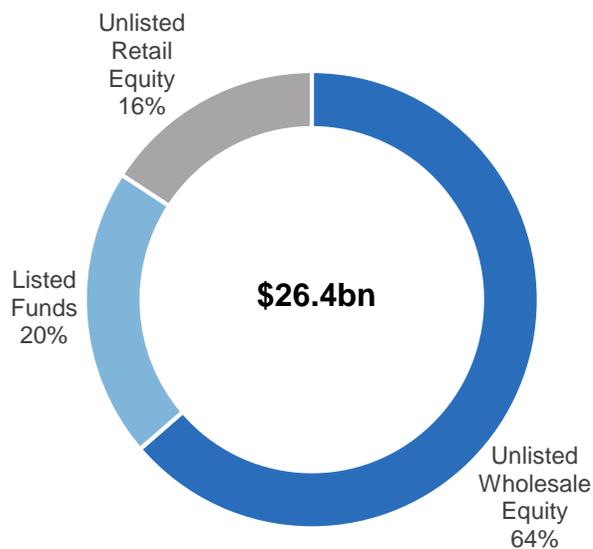
2. Includes Heads of Agreement

## Property Funds Management

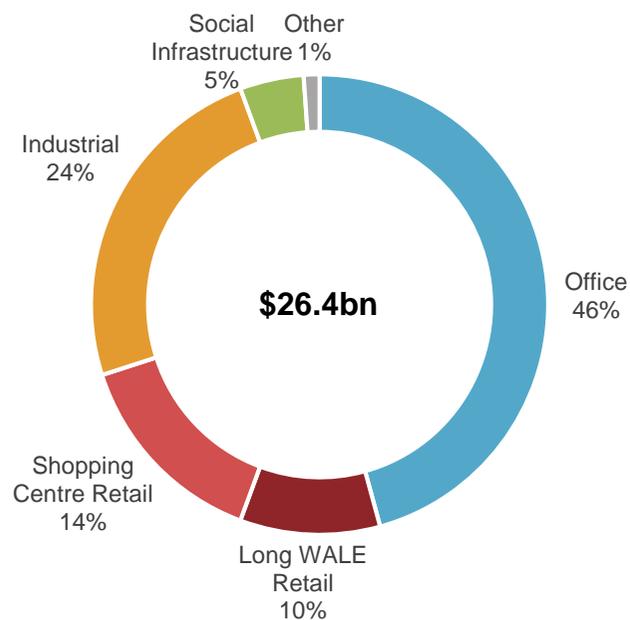
# Group Funds Management Portfolio<sup>1</sup>

	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

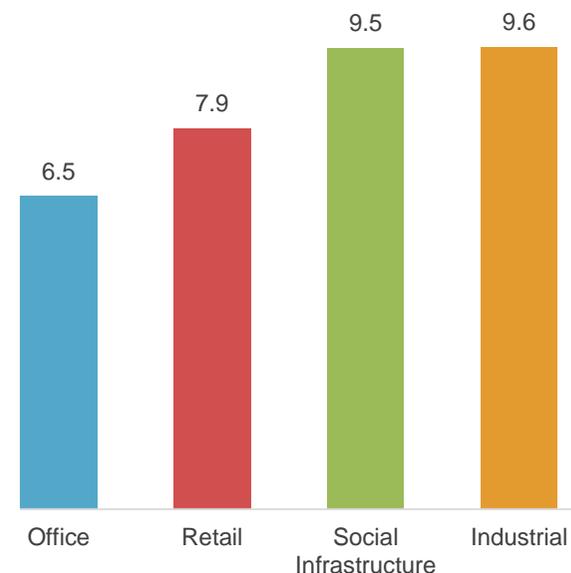
### Diversification by equity source



### Asset type diversification



### WALE by sector



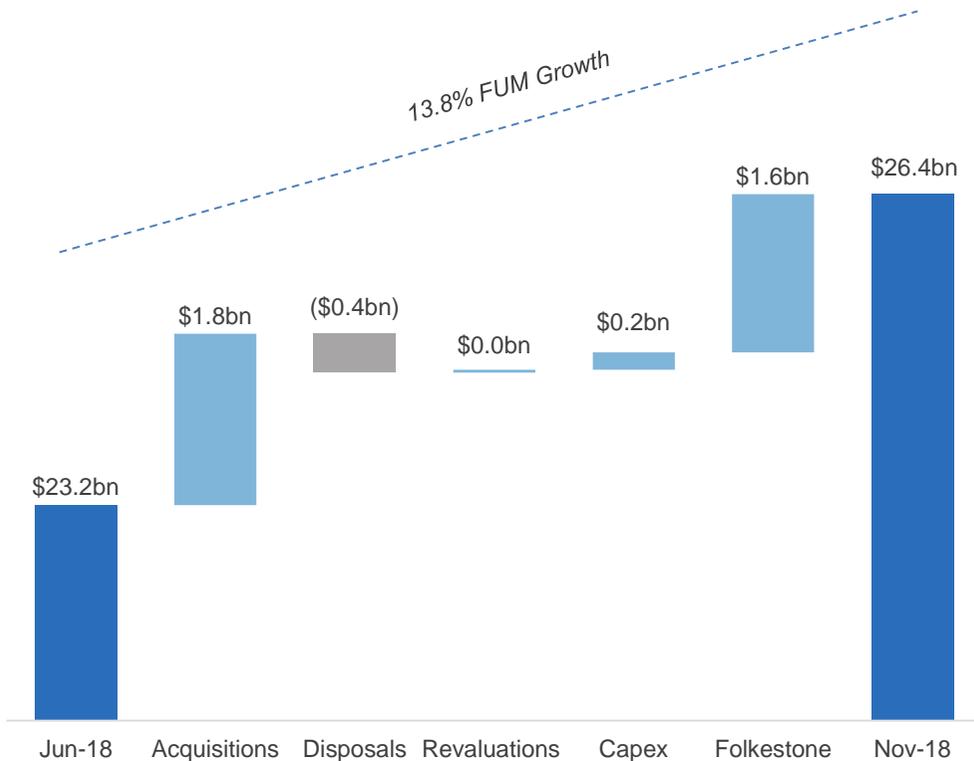
1. Portfolio value and number of properties as at 7 November. All other values as at 30 September.

## Property Funds Management

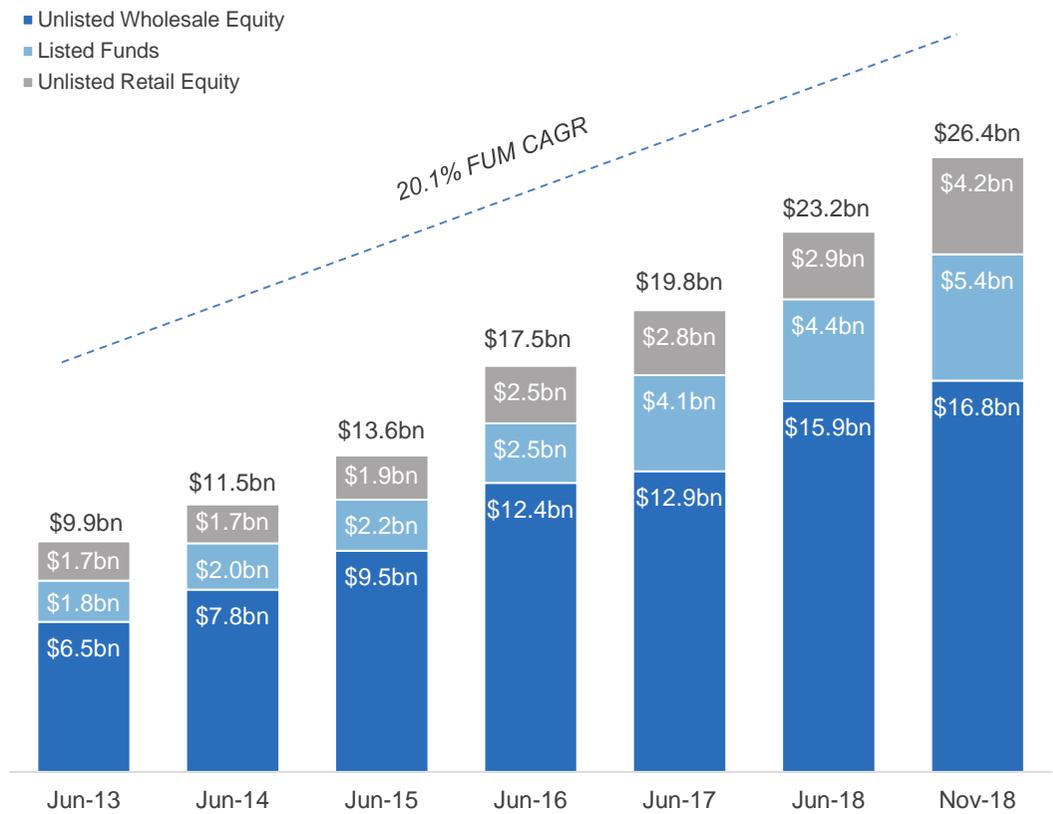
# Funds Under Management Growth

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

<b>YTD FY19</b>	<b>Office</b>	<b>Industrial</b>	<b>Long WALE Retail</b>	<b>Shopping Centre Retail</b>	<b>Total</b>
<b>Acquisitions</b>	1,052m	335m	293m	83m	1,764m
<b>Divestments</b>	(195m)	(84m)	(38m)	(83m)	(400m)
<b>Net transactions</b>	857m	251m	255m	-	1,363m
<b>Gross transactions</b>	<b>1,247m</b>	<b>419m</b>	<b>331m</b>	<b>166m</b>	<b>2,164m</b>

<b>FY18</b>	<b>Office</b>	<b>Industrial</b>	<b>Long WALE Retail</b>	<b>Shopping Centre Retail</b>	<b>Total</b>
<b>Acquisitions</b>	1,528m	371m	293m	333m	2,525m
<b>Divestments</b>	(623m)	(22m)	(38m)	(337m)	(1,020m)
<b>Net transactions</b>	905m	349m	255m	(4m)	1,505m
<b>Gross transactions</b>	<b>2,151m</b>	<b>393m</b>	<b>331m</b>	<b>670m</b>	<b>3,545m</b>

## Property Funds Management

# Equity Flows<sup>1</sup>

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
<b>Wholesale Pooled Funds</b>	606	776	649	564
<b>Wholesale Partnerships</b>	467	217	322	77
<b>Listed Funds</b>	76	988	77	60
<b>Direct Funds</b>	318	355	653	217
<b>Gross equity raised</b>	<b>1,467</b>	<b>2,336</b>	<b>1,701</b>	<b>918</b>
<b>Net equity raised</b>	1,099	1,689	1,487	874

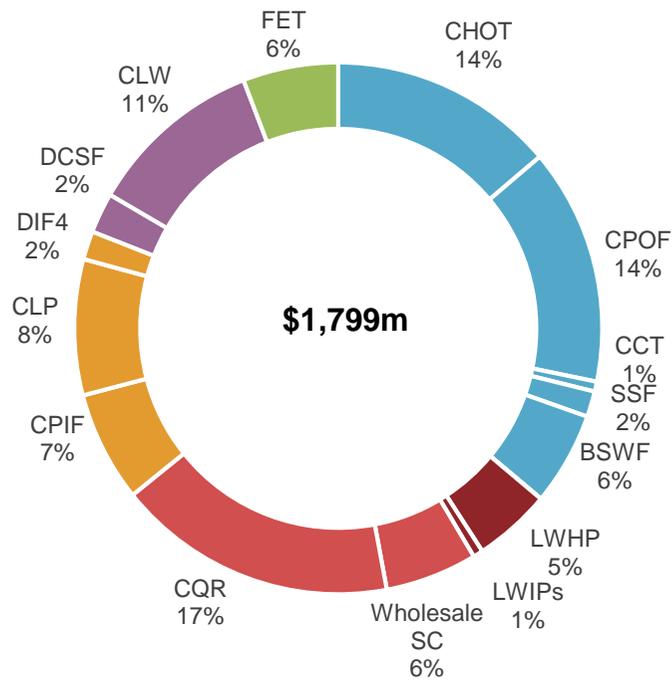
1. Equity flows includes equity received or returned only and excludes undrawn equity commitments

Property Investment

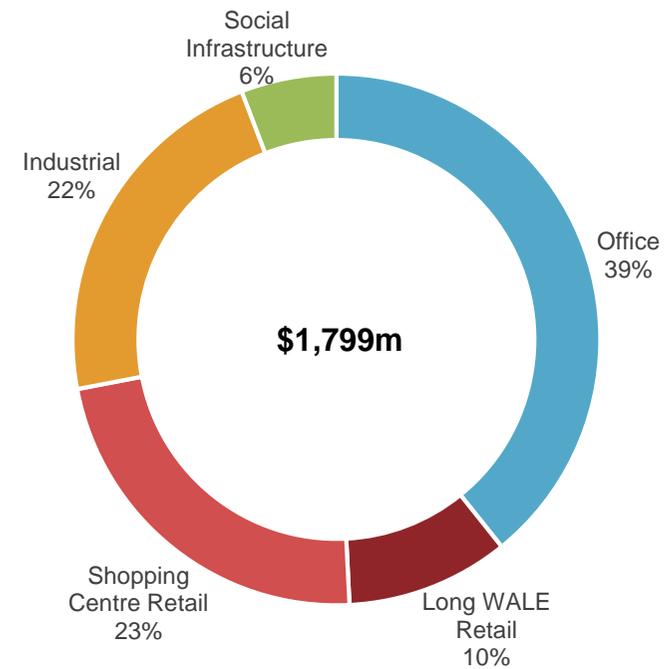
# Property Investment Portfolio

	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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## Additional information

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