

## ASX Release

# Charter Hall Retail REIT Acquisition and Institutional Placement

1 April 2019

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Charter Hall Retail Management Limited, as responsible entity of Charter Hall Retail REIT (ASX:CQR) (**CQR or the REIT**) today announces that:

- the REIT has entered into an agreement to acquire a 100% interest in Rockdale Plaza, NSW for a total consideration of \$142 million<sup>1</sup> (**Acquisition**)
- it will undertake a fully underwritten \$150 million institutional placement (**Placement**) at an issue price of \$4.51 per unit (**Issue Price**) to partially fund the Acquisition and associated transaction costs
- the REIT will also undertake a non-underwritten Unit Purchase Plan (**UPP**) to eligible unitholders in Australia and New Zealand, expected to raise up to \$10 million<sup>2</sup>
- including the impact of the Acquisition and Placement and barring any unforeseen events and no material change in market conditions, CQR reaffirms FY19 operating earnings growth of 2%, in line with its previous guidance

### Acquisition

The REIT has entered into an agreement to acquire a 100% interest in Rockdale Plaza for \$142 million<sup>1</sup>, reflecting a capitalisation rate of 6.25%<sup>3</sup>. Rockdale Plaza is a dominant Convenience Plus asset situated in a strong, established and growing catchment and comprises the largest full-line supermarket in the primary trade area, strong performing mini-majors and convenience focused specialty stores.

Key highlights of the Acquisition include:

- strategically located in the inner suburbs of Sydney, 12km from the CBD with a high profile location on a main arterial road
- 99.8% occupied and generated 4.5 million annual customer visitations (as at December 2018)
- strong tenant covenants, with more than half of centre income underpinned by anchor tenants Woolworths, Big W, Aldi and 7 mini majors
- well maintained centre with further enhancement opportunities to increase food catering and the service offering

Charter Hall's Retail CEO, Greg Chubb said: "The acquisition of Rockdale Plaza offers the REIT an exceptional opportunity to acquire a high performing, convenience-based centre. Underpinned by supermarkets and non-discretionary food and service-based uses, the Acquisition aligns with the REIT's investment strategy and enhances portfolio metrics to ensure we continue to deliver long-term sustainable growth in earnings for investors".

<sup>1</sup> Excluding transaction costs

<sup>2</sup> CQR may (in its absolute discretion) in a situation where total demand exceeds \$10 million, decide to increase the amount to be raised under the UPP to reduce or eliminate the need for scale back. CQR reserves the right to scale back applications under the UPP at its discretion

<sup>3</sup> The vendor has also agreed to provide \$0.5m of income support which can be applied at CQR's discretion

**Property details as at December 2018**

Classification	Convenience Plus
Location	12km south west of Sydney CBD
Purchase price	\$142 million
Capitalisation rate	6.25%
GLA	21,331 sqm
Car spaces	907
Occupancy	99.8%
WALE	4.4 years
Key retailers	Woolworths, Big W, Aldi, 7 mini majors, 46 specialty stores
Total MAT	\$180.8m
Total MAT growth	5.0%
Speciality MAT	\$11,703 psm
Speciality MAT growth	4.9%
Speciality occupancy cost	12.7%
Annual customer visitations	4.5m (up 3% yoy)

**Placement**

To partially fund the Acquisition and associated transaction costs, the REIT is undertaking a fully underwritten institutional placement to raise \$150 million. The Placement is fully underwritten by UBS AG, Australia Branch.

The Placement will be issued at a fixed price of \$4.51 per unit, which represents a:

- 3.0% discount to last close of \$4.65 on 29 March 2019
- 3.6% discount to the 5 day VWAP of \$4.68 on 29 March 2019

Units issued under the Placement will rank equally with existing CQR Units and will be entitled to the full distribution for the half year ending 30 June 2019.

The Placement is within CQR's placement capacity under ASX listing rule 7.1 and unitholder approval is not required.

**Unit Purchase Plan**

Eligible unitholders in Australia and New Zealand will be invited to subscribe for up to \$15,000 of new units, free of brokerage and transaction costs, via a UPP. The new units will be offered at the same price as the Placement of \$4.51 per unit. The UPP will not be underwritten and is expected to raise up to \$10 million<sup>4</sup>. New units issued under the UPP will rank equally with existing CQR units and will be entitled to the full distribution for the half year ending 30 June 2019.

Further information on the UPP will be lodged with the ASX and sent to eligible unitholders on or around 8 April 2019.

<sup>4</sup> CQR may (in its absolute discretion) in a situation where total demand exceeds \$10 million, decide to increase the amount to be raised under the UPP to reduce or eliminate the need for scale back. CQR reserves the right to scale back applications under the UPP at its discretion

## Capital management initiatives

As part of ongoing capital management initiatives, CQR has extended all existing interest rate swaps and increased near term hedging volumes to capitalise on the low interest rate environment. This prudent capital management initiative will decrease the REIT's weighted average hedge rate from 2.1% to 1.7% p.a. The REIT has no debt maturing until FY22, having already refinanced \$335 million of bank debt due to mature in FY21.

## Financial impact

Including the impact of the Acquisition, Placement and capital management initiatives and barring any unforeseen events and no material change in market conditions, CQR reaffirms FY19 operating earnings growth of 2%, in line with its previous guidance.

The REIT's pro-forma gearing<sup>5</sup> will be reduced following the Acquisition and Placement

- balance sheet gearing is forecast to be 32.2%; and
- look through gearing is forecast to be 35.1%.

## Timetable

Event	Date (2019)
Record date for UPP	7.00pm, 29 March
Trading halt and announcement of the transaction	1 April
Placement bookbuild	1 April
Trading of units recommences on the ASX	2 April
Settlement of units under the Placement	4 April
Allotment and normal trading of units issued under the Placement	5 April
UPP offer opens and booklet is dispatched	8 April
UPP offer closes	5.00pm, 2 May
UPP allotment date	9 May
Dispatch of holding statements and normal trading of new units issued under the UPP	10 May

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time.

## Additional information

Additional information about the Acquisition, Placement and capital management initiatives, including certain key risks are contained in the investor presentation released to the ASX today.

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<sup>5</sup> As detailed in Annexure A of the investor presentation, excluding any proceeds from the UPP

## About Charter Hall Retail REIT

Charter Hall Retail REIT is a leading listed real estate investment trust with a portfolio of high quality Australian supermarket anchored convenience based retail.

Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC) one of Australia's leading fully integrated property groups, with over \$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 820 properties that is more than 6.3 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 \$5.3 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. For further information on Charter Hall Group and Charter Hall Retail REIT go to [www.charterhall.com.au](http://www.charterhall.com.au).

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This announcement is not a recommendation by any person as to whether any person should participate in the Placement or the UPP. No person guarantees the repayment of capital or any particular rate of income or capital return on an investment in Units in CQR.