

Market Update

Charter Hall continues to adapt and respond to the challenges resulting from COVID-19. Our priority remains focused on the health, safety and wellbeing of our people, tenant customers and all the communities that share our spaces. The Group has further reviewed the impacts from COVID-19 and reaffirms its FY20 earnings guidance for approximately 40% post-tax operating earnings per security growth on FY19.



“COVID-19 has presented a unique set of challenges and opportunities for our business and people. At the heart of our business lies a partnership approach with our investors and tenants. We are partnering with those tenants who have been affected adversely by COVID-19 and to support them through this challenging period. We’ve also looked to partner with our investors to optimise portfolio quality and resilience, whilst judiciously deploying further capital into pre-leased developments and selective acquisitions. Our “develop to core” strategy continues to provide opportunities to deliver returns for investors as evidenced by the increases in both our committed developments and uncommitted projects, now combined to create a further \$7.3 billion pipeline.”

Managing Director and Group CEO, David Harrison

Equity Flows
YTD

\$4.6bn

Transactions
YTD

\$7.1bn

Funds Under
Management

\$39.2bn

FUM Growth
YTD

\$8.8bn

Development
Pipeline

\$7.3bn

Investment
Capacity

\$5bn

Balance Sheet
Gearing¹

0%

Reaffirmed FY20
OEPS Growth
Approx.

40%

1. Look through gearing 28.7%

Note: All figures at 30 April 2020 unless otherwise stated

Access

Charter Hall continues to attract equity inflows across all source segments, with \$1.6 billion of new equity raised since 31 December, 2019. Wholesale pooled funds generated \$661 million of new equity allotments across Industrial & Logistics and office funds.

Wholesale partnerships saw \$136 million of inflows, with further inflows expected in the June quarter.

Listed equity was raised in CQR and CQE to ensure balance sheet resilience and position these funds for growth opportunities. The Direct funds continued to see inflows, with \$344 million invested across predominantly office and industrial funds. As a result of these inflows and modest deployment, the Group's fund management platform now has \$5 billion in available investment capacity and liquidity (approximately 40% in cash).

(\$m)	FY17	FY18	FY19	1H FY20	YTD FY20 ¹
Wholesale pooled funds	776	649	1,802	453	1,113
Wholesale partnerships	217	322	219	977	1,114
Listed funds	988	77	692	875	1,365
Direct funds	355	653	691	674	1,018
Gross equity deployed	2,336	1,701	3,404	2,978	4,610
Net equity deployed	1,689	1,487	3,287	2,852	4,112

1. Includes equity received early May 2020 and CQE equity raising on 4th May 2020

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

Deploy

Transaction activity was subdued in the period as a result of the usual seasonal lull that occurs in January and February and then the onset of COVID-19. The Group completed \$761 million of gross transactions, consisting of \$368 million of acquisitions and \$392 million of divestments. The Group continues to progress a number of acquisitions, while noting that these are generally taking longer to complete.

The Group retains its focus on long WALE investments leased to high-quality tenants with attractive fixed annual rent increases averaging 3.5% per annum. Our focus remains on defensive, essential service and resilient industries and tenant customers. Development completions are accelerating, whilst the \$3.0 billion committed development WIP and \$4.3 billion uncommitted pipeline have materially accelerated as our "develop to core" strategies in Office and Industrial & Logistics funds drive growth opportunities.

(\$m)	Office	Industrial & Logistics	Diversified & Long WALE	Shopping Centre Retail	Social Infrastructure	Total
Acquisitions	2,455	846	2,741	62	50	6,153
Divestments	(229)	(96)	(208)	(369)	(53)	(955)
Net transactions	2,226	750	2,532	(307)	(3)	5,198
Gross transactions	2,684	942	2,949	431	103	7,109

Development activity (completion value \$m)	Completions (12 months)	Committed projects	Uncommitted projects ²	Total pipeline ³
Office	584	1,443	3,408	4,852
Industrial & Logistics	356	1,272	860	2,132
Retail ¹	61	135	32	167
Social Infrastructure	12	138	33	171
Total / weighted average	1,012	2,989	4,333	7,322

1. Reflects development spend only and excludes existing centre value

2. Includes potential end value of uncommitted development projects

3. \$2.9bn included in FUM at 30 April 2020

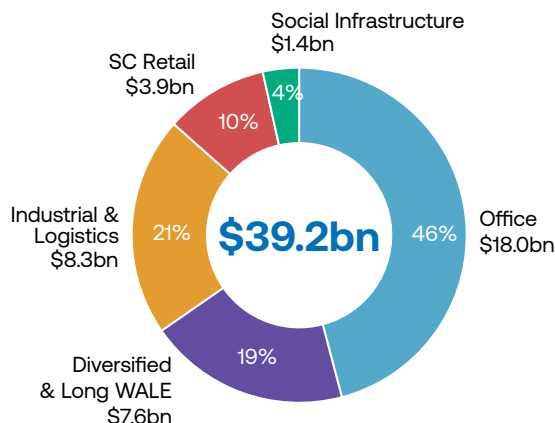
Note: Statistics on this page may not add due to rounding

Manage

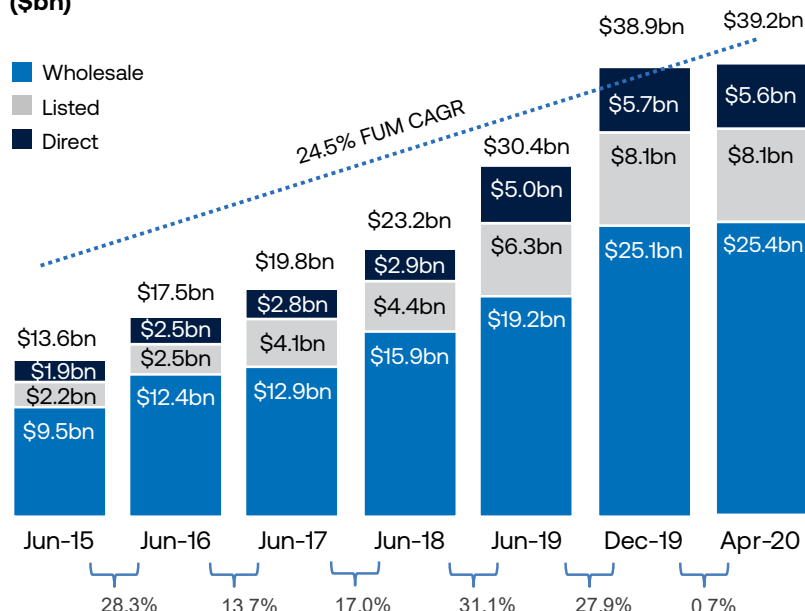
Total FUM for the platform as at 30 April is \$39.2 billion. The Group has conducted independent valuations on approximately 50% of assets under management. Office valuations moved by -0.5%; Industrial & Logistics values moved by +0.7% and our long WALE assets increased in value by +0.5%. There was no net change in FUM from valuations. Charter Hall intends to complete its normal valuation cycle in June, with 100% of stabilised assets being independently valued.

Development activity has continued to progress. During the period the Charter Hall Prime Office Fund (CPOF) received development approval from the Victorian Minister for Planning for its \$1.5 billion project at 555 Collins Street in Melbourne. The Charter Hall Prime Industrial Fund (CPIF) also announced two long-term pre-lease commitments for high-tech distribution centres for Coles in Sydney and Melbourne worth approximately \$400 million. These take the pre-leased development pipeline for CPIF to approximately \$1 billion and will lift industrial and logistics funds under management to beyond \$10 billion on completion.

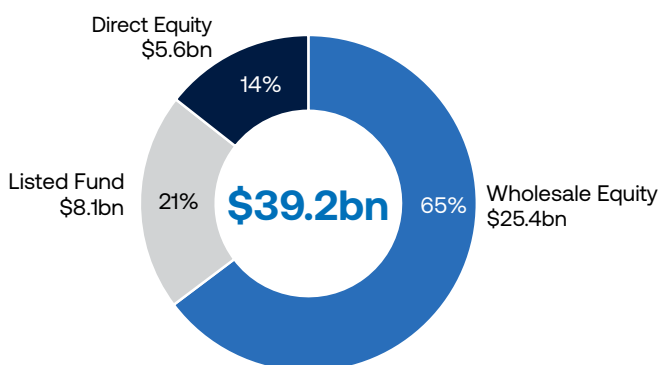
Asset type diversification



Funds under management by equity source (\$bn)



Diversification by equity source



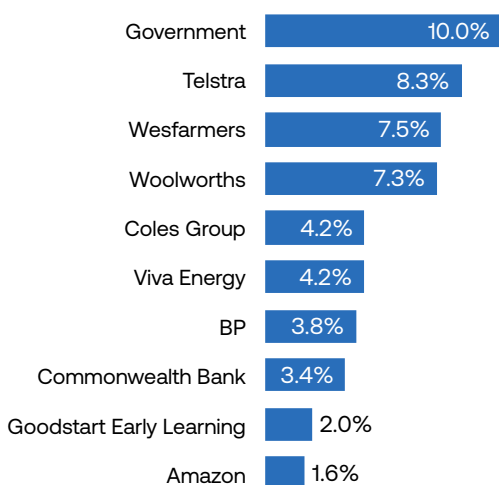
“We are delighted to once again extend our cross-sector relationship with Coles and look forward to completing these exciting new projects for one of our largest tenant customers, whilst continuing to enhance and diversify the quality of our leading industrial and logistics portfolio.”

Managing Director
and Group CEO, David Harrison

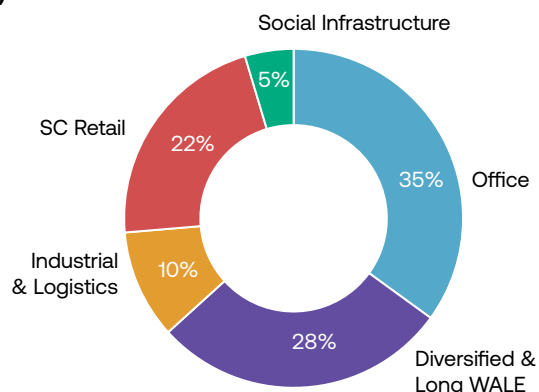
Invest¹

The Group continues to enjoy a highly defensive earnings stream from its well diversified property investments held by Charter Hall Property Trust. The Group's top 10 tenants by income represent over 52% of income and are all highly defensive and resilient. The total proportion of rent from those who are classified as SME's under the National Cabinet Commercial Code is 10% for the Charter Hall balance sheet and 9.7% across the Funds Platform. The Group's diversification across asset classes and funds ensures a highly stable and predictable earnings stream.

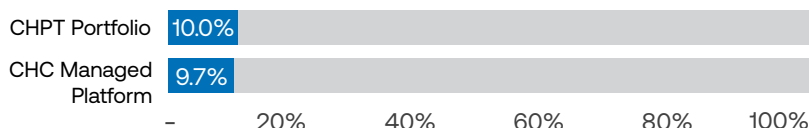
Top 10 tenants by net income



Property Investment earnings (by sector)



Net rent from SME's (% of total)



1. Represents CHC balance sheet investments

Outlook

The effects of COVID-19 have provided significant financial challenges for some of our tenant customers. We remain committed to partnering with our tenants to ensure their on-going success through this difficult period. Across the Funds Platform, 9.7% of tenants are classified as SME's under the National Cabinet Commercial Code and we will support them under the new laws giving effect to the Code. Charter Hall will continue to actively partner with our tenant customers to ensure sustainable and long term outcomes.

The Group's development pipeline continues to grow, providing significant opportunities to deploy capital, with \$3.0 billion in committed projects that will deliver high-quality, long-leased assets for the funds and drive incremental fund returns. The \$4.3 billion uncommitted pipeline also stands ready to replace development completions and provide attractive returns without the need to transact on market, providing further additional growth. Across the funds platform our focus on defensive, essential services and resilient industries and tenant customers, combined with sector-leading WALE's, provides a solid foundation for investment returns.

Our business continues to enjoy the support of our capital partners who remain committed to their existing investments and continue to look for new opportunities to deploy additional capital. Across the funds platform the Group has \$5 billion in existing investment capacity with approximately 40% of this in cash. It is expected that our wholesale capital partners will be active in deploying additional new equity in the next 12 months.

Charter Hall currently has zero net gearing and \$420 million of available liquidity. This position will further improve as a result of the Group's distribution policy, leaving Charter Hall well-placed to take advantage of any future opportunities that may arise.

The Group re-affirms its FY20 guidance for after-tax OEPS growth of approximately 40% over FY19 and FY20 distribution per security guidance for 6% growth over FY19.

Charter Hall Group (ASX: CHC)

With over 29 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – office, industrial & logistics, retail and social infrastructure.

Operating with prudence, we've carefully curated a \$39.2 billion diverse portfolio of over 1100 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our \$7.3 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.

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Announcement authorised by the
Charter Hall Group Board.

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