

ASX Release

Charter Hall Retail REIT FY24 Results

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Charter Hall Retail REIT (ASX: CQR) (CQR or the REIT) today announces its FY24 results for the period ended 30 June 2024.

Financial Highlights:

- Operating earnings of \$159 million, or 27.4 cents per unit (cpu)
- Distribution of 24.7 cpu
- Statutory profit of \$17.2 million
- Net Tangible Assets (NTA) per unit of \$4.51
- Balance sheet gearing of 26.7% and look-through gearing of 32.9%
- Available liquidity of \$408 million consisting of cash and undrawn debt facilities
- Diversified funding sources with no debt maturing until March 2026

Operating Highlights:

- Ongoing portfolio curation with \$315 million of divestments, selling five regionally located or non-core assets in-line with book values and \$118 million of metropolitan value-accretive acquisitions
- Record high shopping centre portfolio occupancy of 98.8%, up from 98.6% at June 2023
- Continuing positive specialty leasing spreads of +2.7% with 205 specialty lease renewals (+2.7% leasing spread) and 108 new leases (+2.6% leasing spreads)
- Like-for-like net property income (NPI) growth of 3.6% with shopping centre like-for-like NPI growth of 3.2% and net lease retail like-for-like growth of 5.5%
- Total MAT growth of 3.7% with supermarket MAT growth of 4.3%
- Sales productivity of \$11,077 per sqm, up 5.6% from June 2023

Charter Hall Retail's CEO, Ben Ellis said: "CQR's portfolio continues to deliver strong operational performance. Our unique blend of convenience shopping centre and net lease assets provides an attractive income growth profile with lower capital commitments. Our shopping centres continue to dominate their convenience catchments and have delivered record sales productivity, strong MAT

growth and improved occupancy which translates into strong NPI growth. We are well placed for the future with significant balance sheet capacity and ongoing opportunities for further portfolio curation.”

Enhancing Portfolio Quality

During FY24 CQR has continued its disciplined portfolio curation strategy taking advantage of off-market, unsolicited offers to sell \$315 million of regionally located, lower growth assets and to reinvest in attractive new growth opportunities.

- **Divestments:**

- Following unsolicited off-market offers, CQR has divested Dickson Woolworths ACT, Sydney Street Markets QLD, Rosebud Plaza VIC, Southgate Square SA and Rutherford Marketplace, NSW for combined proceeds of \$315 million

- **Acquisitions:**

- Acquisition of a 20% interest in Eastgate Bondi Junction shopping centre, NSW, for \$25 million¹ on a 6.1% initial yield in partnership with RP6
- Acquisition of the Endeavour Group leased Rye Hotel VIC on a 5.0% initial yield for \$8 million², increasing CQR's ownership of the LWIP2 partnership to 29%
- \$49 million investment to secure a 7.5% stake in Hotel Property Investments Ltd (ASX: HPI)

Portfolio Valuations

During FY24, 100% of CQR's portfolio was independently revalued. The total portfolio value decreased \$236 million to \$4,048 million as a result of \$315 million of asset sales, offset by \$119 million of selective acquisitions and net devaluations of \$40 million. The total portfolio cap rate moved from 5.57% at June 2023 to 5.79% at June 2024. The shopping centre convenience retail portfolio cap rate moved from 5.81% at June 2023 to 6.13% at June 2024 while the convenience net lease retail portfolio cap rate moved from 4.83% to 4.94% over the same period.

When looking at the component parts of the valuation movements, the shopping centre portfolio experienced a modest 1.9% decline in like-for-like values, testament to its defensive nature. Meanwhile, the net lease portfolio increased in like-for-like values by 2.0%, reflecting the attractive inflation-linked annual rental increases the portfolio delivers.

Active management

The CQR portfolio continues to be strategically weighted towards high quality major convenience retail tenants. Major tenants Woolworths, Coles, bp, Wesfarmers³, Aldi, Ampol, Endeavour and Gull represent 57% of rental income. The total portfolio WALE is 7.2 years and majors WALE is 10.1 years.

The convenience net lease retail portfolio represents 28% of total portfolio by value and 22% of total portfolio income. The leases are NNN with CPI reviews and a WALE of 14.7 years. CQR's convenience net lease retail portfolio has delivered 4.4% rental growth in 2024, underpinning the broader CQR portfolio income growth.

Supermarkets in the convenience retail portfolio continued to perform well with a portfolio record of 73% of supermarket tenants paying turnover rent⁴, up from 67% in June 2023 and those within 10% of turnover thresholds representing 13% of supermarkets. Supermarkets across the portfolio continue to demonstrate resilience delivering 4.3% MAT growth.

1 CQR share. Total asset value \$127m. Mercer 80% and CQR 20% co-owners through RP6 partnership

2 CQR share. Total asset value \$28m

3 Kmart, Target, Bunnings, Officeworks and API

4 Includes supermarkets with fixed and CPI rent reviews

CQR also had an active period of leasing with 313 specialty leases completed at an average spread of +2.7%. This was made up of 108 new specialty leases completed at an average +2.6% leasing spreads and 205 renewals completed at an average +2.7% leasing spread.

Specialty productivity continues to improve and reached a portfolio record at \$11,077 per sqm. Occupancy costs remain highly sustainable at 11.4%.

Capital Management

Prudent capital management remains central to CQR's strategy. CQR currently has \$408 million⁵ of available investment capacity to fund capital investment and enhance portfolio quality.

During the period, Moody's affirmed CQR's Baa1 issuer rating and senior unsecured rating with a stable outlook. CQR has no debt maturing until March 2026.

CQR's weighted average debt maturity is 3.2 years, with an average hedge maturity of 2.0 years. Portfolio balance sheet gearing is 26.7% and look-through gearing is 32.9%. Post-balance date, CQR completed a zero cost hedge restructure which provides additional interest rate and earnings certainty in FY26. CQR has 62% of drawn debt hedged for the FY25 year.

Summary and outlook

CQR's strategy is to be the leading owner of convenience retail property, delivering investors a resilient and growing income stream from convenience retail properties. Portfolio curation and active asset management will continue to enhance the portfolio quality through time.

Positive leasing spreads, high occupancy levels and MAT growth are expected to deliver like-for-like NPI growth. Portfolio income is expected to benefit from direct and indirect inflation-linked rental growth, which will also underpin asset values. Looking forward CQR's portfolio and capital structure is now positioned for growth.

Based upon information currently available and barring unforeseen events, CQR expects FY25 operating earnings to be approximately 25.4 cents per unit and FY25 distribution to be no less than 24.7 cents per unit.

Announcement Authorised by the Board

Charter Hall Retail REIT (ASX: CQR)

Charter Hall Retail REIT is the leading owner of property for convenience retailers.

Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC). Charter Hall is one of Australia's leading fully integrated property investment and funds management groups. We use our expertise to access, deploy, manage and invest equity to create value and generate superior returns for our investor customers. We've curated a diverse portfolio of high-quality properties across our core sectors – Office, Industrial & Logistics, Retail and Social Infrastructure. With partnerships and financial discipline at the heart of our approach, we create and invest in places that support our customers, people and communities grow.

For further enquiries, please contact

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⁵ Consisting of cash and undrawn debt