

## ASX Release

### AGM – Chair and Fund Manager Address

21 October 2024

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#### Chair's Address

Welcome to CLW's 2024 annual general meeting, my first as chair. It is my pleasure to address this meeting today.

I'd like to start by acknowledging the contribution made by the former Chair, Peeyush Gupta AM. In April 2024, after eight years, Peeyush resigned as a Director and Chair of the Board to pursue a directorship with another ASX listed REIT. Peeyush made a significant contribution to CLW from its inception in 2016 and we thank Peeyush for his dedication, leadership and guidance as Chair.

Following Peeyush's resignation I was appointed as Chair. I have also been on the Board of CLW since its inception and my appointment ensures a seamless transition and continuity for CLW securityholders.

At the same time the Board also appointed Ray Fazzolari as a non-executive Director. Ray has over 40 years' experience across all aspects of real estate funds management, through multiple property cycles and his expertise will assist the Board to continue executing on strategy at a challenging time. I will ask Ray to speak in more detail about his background when the time comes for his election.

CLW is Australia's largest diversified long WALE REIT with a defensive 10.5-year WALE. CLW invests in commercial properties primarily leased to major corporate and government tenants on long-term leases.

FY24 saw a continuation of the economic challenges of recent years. During the FY24 financial year the Reserve Bank of Australia's cash rate rose from 4.1% to 4.35% and it remains there today. The outlook for future rates remains uncertain, with persistent inflation leading to a "higher for longer" interest rate environment.

The commercial property sector was not immune to the adverse consequences, with higher interest costs negatively impacting both sector earnings and property valuations. CLW's operating earnings were down 7% from FY23 to 26 cents per security primarily as a result of higher interest costs and asset sales more than offsetting the portfolio's net property income growth. Pleasingly, in-line with guidance, distributions per security of 26 cents were paid, representing a 100% payout ratio.

CLW continues to actively manage its balance sheet to remain defensive in a higher interest rate environment. As flagged at our 2023 AGM CLW implemented an asset sale program to reduce gearing throughout the FY24 financial year. Management worked extremely hard during difficult market conditions to execute 12 separate successful sales across all areas of our portfolio.

Persistently high interest rates also saw capitalisation rates rise across the portfolio during the year from a weighted average of 4.8% to 5.4%. CLW booked \$626 million of net fair value movements across the portfolio during the FY24 financial year.

Looking forward, our FY25 operating earnings guidance of 25 cents reflects the impact of divestments that CLW made in FY24 and a gradual step up in our finance costs as interest rate hedges roll off. We continue to actively manage our portfolio to ensure long-term performance. While we have not been unaffected during this turbulent period, the robustness of our portfolio continues to provide a strong foundation for future growth.

Notwithstanding higher interest costs, CLW's underlying portfolio continues to deliver strong, consistent rental growth, reflecting the quality of its properties and tenant covenant and its 10.5-year WALE.

Importantly, CLW has a balanced mix of rental growth, with 51% of leases featuring annual rent reviews linked to CPI and the remainder of leases fixed, with average fixed annual increases of 3.1%. This blend of exposure to CPI-linked and fixed annual rental increases provides a growing rental stream and resilience in both low and high inflation scenarios. This combination of rental streams delivered 4.7% like-for-like rental growth in FY24.

Our portfolio has an occupancy level of 99.9% and continues to be diversified by tenant, industry, geography and property type which contributes to the stability of our cash flow.

As at 30 June 2024, CLW had 55% of income from triple net lease properties. This is an important differentiating feature of our portfolio given that under a triple net lease structure, the tenant is responsible for all outgoings, maintenance and capital expenditure.

The security of income of the REIT is also reinforced by the high-quality income stream generated from blue chip tenants with 99% of tenants consisting of Government, ASX listed, multinational or national businesses. Our largest tenants are Endeavour Group, Federal and State Governments, Telstra and BP.

We completed a number of debt capital initiatives in order to hedge some of the impact of rising interest rates, while continuing to position the REIT for long-term growth. As we look further forward, we will continue to selectively put in place further hedging into FY26 and beyond, while also being mindful of preserving some exposure to any rate cuts that may occur in future years.

We remain focused on implementing sustainability initiatives across our portfolio and consider ESG as a driver of long-term value for investor and tenant customers. This year, we have achieved Net Zero Scope 1 and Scope 2 emissions, for assets under our operational control, supported by our approach to renewables and execution of our nature based offset strategy. We also set long-term and interim targets for Scope 3 emissions.

CLW has 6.5MW of onsite solar installed across its portfolio, an increase of 4.5 MW since FY23, 100% of which directly supplies our tenants. An additional 3.8MW of onsite solar is planned or committed across our industrial assets. CLW continues to enjoy strong environmental credentials for its portfolio with a portfolio rating of 5.3 star for NABERS Energy and 5.0 star for NABERS Water ratings.

Good governance is an important element of ESG and is something your Board of Directors is focused on. Our role as Directors is to ensure management adhere to the strategy of the REIT and manage all aspects of the REIT's operations professionally.

I would like to assure Securityholders that your Directors are ever-mindful of their responsibilities to act in the interests of all Securityholders. We endeavour to ensure CLW continues to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a portfolio of high-quality properties and tenants with a long WALE. The Board remains committed to aligning with best practice frameworks to support transparency and disclosure.

Whilst valuations have been a persistent challenge for the commercial property sector over the past two years, I am encouraged by general market views that the Australian commercial property market is

approaching a trough for valuations and the prospects for real estate are much stronger than they were a year ago.

With this backdrop, I would like to thank you for your ongoing support and interest in CLW.

I will now hand over to Avi Anger, Fund Manager Charter Hall Long WALE REIT to review the year's financial and operating performance and discuss the outlook for FY25.

## **Fund Manager's Address**

Thank you Glenn.

I would like to start by briefly discussing the financial performance of the REIT in FY24 and some of the highlights from the year.

I'm pleased to report that we delivered operating EPS of 26 cents per security in line with FY 2024 operating earnings guidance provided. Our NTA at 30 June 2024 is \$4.66 per security.

The portfolio delivered 4.7% like-for-like net property income growth benefiting from the 51% of income of the REIT being CPI linked. During the year, we completed \$762 million of divestments with the proceeds received being used to reduce debt.

The portfolio is sitting at a very high occupancy level of 99.9% and CLW has a long WALE of 10.5 years providing security and continuity of income to our investors.

We remain focused on prudent capital management. Balance sheet gearing, after completion of the current divestment program, is at 30.1%, in the middle of the target range of 25-35% and look-through gearing post asset sales is 37.6%. 72% of drawn debt of the REIT is hedged providing protection against interest rate volatility.

In July 2024, Moody's reaffirmed its Baa1 Investment Grade credit rating demonstrating its support of CLW's de-risked credit profile.

Central to our achievements in FY24 was the completion of CLW's strategic asset divestment program. In totality, CLW completed \$762 million of property sales, strengthening the REIT's balance sheet and delivering capacity for capital management initiatives.

The disposed properties represent approximately 11% of the portfolio with some of the properties disposed having near term lease expiries, reducing the near-term expiry risk for our investors. The remaining portfolio delivers investors higher exposure to prime quality assets in core markets, low capital intensive NNN leases and CPI linked rent reviews.

The majority of the proceeds of the asset sales have been used to repay debt thereby reducing gearing. In addition, we have also been able to use sales proceeds to undertake a buyback of up to \$50 million of CLW securities. We see this as an important capital management initiative to take advantage of CLW's current attractive trading price, significant discount to NTA and an opportunity to deliver earnings accretion to our investors. As I stand here today, we are approximately 45% of the way through the buyback and are pleased with the positive response to date.

Moreover, we have taken the opportunity to enter into a zero-cost hedge restructure to increase the REIT's hedging profile beyond FY25. As Glenn has already addressed, we will look to selectively put in place further hedging into FY26 and beyond, while still preserving some exposure to any rate cuts that may occur.

Similarly, as Glenn has also outlined, we are encouraged by general market views that the Australian commercial property market is approaching a trough for valuations. As we look forward to where CLW's portfolio values may go in future years, it is instructive to look at how CLW's portfolio values have moved in the past, by reviewing CLW's portfolio sector cap rates over the past 4 years.

The cyclical nature of the property cycle is demonstrated by the movement in capitalisation rates across CLW's portfolio. On a like-for-like basis across CLW's diversified real estate portfolio, sector cap rates have on average expanded over the past two years by the same amount they compressed during the period 30 June 2020 to 30 June 2022.

Despite cap rate expansion over the past two years, like-for-like capital values across CLW's portfolio are on average 14% higher in 2024 compares to 2020, driven by contracted and market rental growth. Our demonstrated focus on properties with long leases to the best quality tenants with structural rent increases has served us well.

During the year, CLW continued delivering on strategy, improving both the quality and metrics of its portfolio. At year end, the REIT held 540 properties valued at \$5.8 billion with a WALE of 10.5 years and 99.9% portfolio occupancy. The percentage of the REIT's properties with NNN leases was 55% of the portfolio net income.

At the end of the period, the portfolio WACR was 5.4% (up from 4.8% in 2023) reflecting the high quality of the properties, income security afforded by the tenants and desirable locations of the assets.

CLW's best-in-class tenant register provides portfolio quality and diversity. Ninety-nine per cent of the REIT's portfolio is leased to government, ASX-listed, multinational and national tenants. Importantly, these blue-chip tenants are in resilient industries and the REIT continues to generate strong rental growth.

We also have a high proportion of tenants operating in the non-discretionary grocery and food sectors such as Woolworths, Coles, Arnott's and Metcash, and our bp Australia and New Zealand portfolios on long triple net leases provides us with exposure to the resilient fuel and convenience retail sector.

I would now like to re-affirm our FY25 earnings guidance.

Based on information currently available, including current interest rate and inflation expectations and barring any unforeseen events, CLW provides for FY 2025 operating EPS guidance of 25 cents and DPS guidance of 25 cents.

Based on Friday's closing price, this represents an 6.1% distribution yield.

In closing, I would like to thank the Directors of CLW for their on-going guidance and support in the running of CLW and you our Securityholders, for your trust and support.

We remain focused on delivering a long WALE resilient portfolio leased to high quality tenants and providing investors with both income and capital growth over the long term.

I would now like to hand back to our Chair to conduct the formal business.

*Announcement Authorised by the Board*

**Charter Hall Long WALE REIT (ASX: [CLW](#))**

Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust (REIT) listed on the ASX and investing in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases.

Charter Hall Long WALE 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.

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