

ASX Release

Charter Hall Retail REIT September 2016 Quarterly Operational Update

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Charter Hall Retail REIT (ASX:CQR) (the REIT) today announced an operational update for the quarter ending 30 September 2016.

Key Operational Highlights

The REIT has continued to deliver on its strategy with a focus on active asset management, enhancing portfolio quality and prudent capital management.

- Occupancy remained stable at 98.0% with specialty sales growth at 3.7% for the quarter.
- Recycling from non-core properties resulted in agreements for the sale of three non-core properties for \$71.2 million in Queensland and Victoria.
- \$58.9 million Secret Harbour development in line with programme and forecast to complete in March 2017.

Consistent Portfolio Performance through Active Asset Management

Specialty shop sales grew at 3.7%. This is a significant improvement compared to 3.2% in the corresponding quarter in FY16.

The REIT's anchor tenants also reported solid growth of 2.6% for stores in turnover. This is a significant improvement compared to the prior corresponding quarter in FY16 of 1.0%.

The occupancy of the REIT's portfolio remained stable at 98.0%. Specialty rental rate growth was 1.5% for the September 2016 quarter.

Enhancing the quality of the portfolio

The REIT announced at its Full Year Results 2016, that it will reduce exposure to freestanding and smaller neighbourhood assets to acquire larger, higher growth assets and increase the average asset size.

During the September quarter, the fund moved to take advantage of investor demand for retail assets and commenced execution of its divestment strategy, contracting to divest three non-core properties in Queensland and Victoria. The sale of Caboolture Square, Moe Kmart and Pakington Strand for a combined value of \$71.2 million reflects a 10.4% premium to the June 2016 book values at a combined yield of 5.8%. The net proceeds will be reinvested into higher growth assets. The REIT is currently in exclusive due diligence on a sub regional shopping centre that is expected to settle in December this year.

Value enhancing redevelopment is a key element of the REIT's growth strategy to deliver value to our centres, communities and unitholders. The current redevelopment pipeline of \$124 million remains on time and is forecast to produce a stabilised yield of 7.3%.



Outlook

Barring unforeseen events and subject to the timing of acquisitions and divestments, the REIT confirms that FY17 guidance for operating earnings is expected to be 30.4 cents per unit. The distribution payout ratio range is expected to remain between 90% and 95% of operating earnings.

Fund Manager Scott Dundas commented that “as the economy continues to transition from the resource sector to a more diversified, services and infrastructure led economy, our non-discretionary retail focus positions the REIT well to continue to deliver a secure and growing income stream for investors”.

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 neighbourhood and sub-regional shopping centres.

Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC), is one of Australia's leading fully integrated property groups, with over 25 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$18 billion of funds under management across the office, retail and industrial sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make 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

For further information, please contact

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