

ASX Release

Charter Hall Long WALE REIT

Accretive portfolio acquisition and capital management initiatives

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Charter Hall Long WALE REIT (ASX:CLW) (CLW or the REIT) today announced the following:

- acquisition of a \$65.9 million portfolio of 10 industrial properties on a sale and leaseback basis from SUEZ Recycling & Recovery Pty Limited (SUEZ) which is accretive to earnings, rent review profile and the WALE of the REIT;
- a \$9.0 million or 0.8% increase in the value of the REIT's portfolio following the revaluation process undertaken as at December 2016;
- expansion and increase of its existing debt platform through the inclusion of a new domestic Australian bank; and
- entering into of new interest rate swaps increasing the REIT's overall hedging.

Portfolio acquisition

The REIT has acquired a \$65.9 million portfolio of 10 properties from SUEZ with a portfolio WALE of 15.0 years at a capitalisation rate of 6.0%. The acquisition increases the property portfolio of the REIT to \$1.32 billion and will be 2.5% and 3.1% accretive to FY17¹ and FY18² earnings respectively.

The triple net lease structure and 3.0% annual rental increases provides an attractive investment proposition to a high quality tenant. The acquisition further increases the portfolio WALE as at 31 December 2016 from 12.0 to 12.2 years.

The acquisition is consistent with the REIT's investment strategy of acquiring assets with long leases to high quality tenants with leading market positions.

The geographically diverse SUEZ portfolio comprises 10 industrial assets situated throughout Queensland, New South Wales, Victoria and Western Australia and are located predominantly in metropolitan areas. Further details of the portfolio are included in Annexure A to this announcement.

Avi Anger, Charter Hall Long WALE REIT Fund Manager, said: "The acquisition of the SUEZ portfolio demonstrates the REIT's capacity to access and acquire a high quality portfolio leased to a high quality tenant on a long term lease. The triple net lease term along with 3% annual rental increases provides the REIT with exposure to a resilient rental income stream, generated from a high calibre tenant that has a leading position in the waste recycling sector.

¹ Annualised for the period from 10 November 2016 to 30 June 2017

² Annualised 1HFY18, consistent with forecasts provided in the PDS



“The acquisition further strengthens the portfolio, is earnings and average rent review accretive and increases the portfolio WALE to 12.2 years, the longest WALE for an ASX listed diversified REIT,” Mr Anger added.

The acquisition will be funded from undrawn debt capacity.

Asset revaluations

Following a review of CLW's portfolio, it was determined that 33 retail assets representing 16% of the REIT's portfolio would be independently revalued at December 2016, whilst the remaining 21 retail assets were subject to Directors' valuations. The valuations resulted in a \$9.0 million (or 4.4 cpa) increase in asset valuations, reflecting CLW's share of the uplift. This \$9.0 million increase represents 3.0% growth to \$314 million for CLW's share of the LWIP portfolio.

The valuation uplift was largely attributable to structured rental growth across the assets, with minor capitalisation rate compression recorded for the properties that were independently valued. Post the revaluations, the portfolio's weighted average capitalisation rate (WACR) tightened by 4bps to 6.33%.

Increased bank debt facility limit and hedging

CLW also announces that in conjunction with the above transactions, it has expanded its existing debt platform and increased its overall hedging position.

National Australia Bank has been introduced to the syndicated facility, increasing the total debt facility limit by \$100 million to \$450 million. This increase will be utilised to fund the SUEZ acquisition and refinance CLW's share of the existing look through debt relating to the Perth RDC property in January 2017, with all other terms of the facility remaining unchanged. Post these transactions, the REIT will have approximately \$90 million of undrawn debt.

As a result of the transactions announced herein (including the refinance of CLW's share of the Perth RDC debt in January 2017), CLW's Proforma Balance Sheet Gearing³ is forecast to increase from 22.0% to 30.6%, sitting close to the midpoint of the REIT's target Balance Sheet Gearing range of 25% to 35%. Look Through Gearing³ will move from 35.0% to 38.3% due to the higher gearing in the 18 year WALE triple net lease LWIP portfolio.

Following the entry into hedging arrangements for the acquisition of the SUEZ portfolio, the resulting FY17 forecast average cost of debt under the REIT's syndicated debt facility is expected to be 3.8%⁴. The proportion of hedged balance sheet and look through debt for the REIT will be 51% and 66% respectively. The REIT's balance sheet weighted average hedge maturity remains stable at 5 years. LWIP has extended part of its swapbook, resulting in CLW's look through weighted average hedge maturity increasing from 3.4 years to 4.3 years. Overall, the combined impact of the transactions is forecast to be 1.2% and 1.7% accretive to FY17⁵ and FY18⁶ operating earnings respectively.

³ Based on PDS gearing at Allotment

⁴ Excludes undrawn line fee and amortisation of debt costs

⁵ Annualised for the period from 10 November 2016 to 30 June 2017

⁶ Annualised 1HFY18, consistent with forecasts provided in the PDS



About Charter Hall Long WALE REIT

Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust ("REIT") listed on the ASX (ASX: CLW) and invests 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) 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.

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