

Charter Hall Group Investor Development Showcase

2 February 2017



Agenda

- 1 **Welcome and Introduction**
 - 2 **Development Activity**
 - 3 **Office Development**
 - 4 **Industrial Development**
 - 5 **Q&A**
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Andrew Borger
Head of Office Development
Services



Andrew Simons
National Manager - Industrial
Projects/Development



David Harrison
Managing Director &
Group CEO

Development Activity

Overview

- Development opportunities undertaken to enhance both income yield and total returns for managed funds
- In-house development skills are a core competency
- Committed projects / development pipeline includes 45 office, industrial and retail projects

| Development activity (completion value \$m) | Committed projects | Development pipeline ² | Total ¹ |
|--|--------------------|-----------------------------------|--------------------|
| Office | 747 | 1,273 | 2,020 |
| Industrial | 418 | 886 | 1,304 |
| Retail ³ | 178 | 277 | 455 |
| Total | 1,343 | 2,436 | 3,779 |

1. \$1.9b included in FUM at 31 December 2016

2. Includes potential end value of DA approved schemes, future retail redevelopments and potential end value of industrial land banks

3. Reflects development spend only

Development Projects

Overview



Office Development

Andrew Borger
Head of Office Development Services



Historical Track Record

Delivering Prime Office Developments

Strong track record in creating and delivering high performing projects for tenant customers

| Asset | Year | Market | Size | Tenant |
|--------------------------|------|---------------------|--------|--|
| Space 207 | 2004 | Sydney North Shore | 20,000 | Hutchinson Telecom |
| Bushells | 2004 | Sydney CBD | 12,000 | Heritage Conversion – Dimension Data |
| 151 Pirie Street | 2005 | Adelaide CBD | 12,650 | KPMG and Macquarie |
| Zone | 2006 | Olympic Park Sydney | 42,500 | Commonwealth Bank of Australia |
| Atrium | 2007 | Sydney CBD Fringe | 16,800 | American Express |
| 275 George Street | 2007 | Brisbane | 40,000 | Telstra, QLD Gas (British Gas) |
| Northbank Plaza | 2007 | Brisbane CBD | 26,700 | Telstra and Queensland Government |
| Allianz Centre | 2007 | Sydney CBD | 40,000 | Allianz |
| 40 Creek Street | 2009 | Brisbane | 12,353 | Fitness First Platinum, Santos, Apple, Macrossans, Xenith, QCoal, Exoma Energy, Cardno HRP |
| Alluvion | 2010 | Perth CBD | 22,400 | Clough Engineering and Multiple Tenants |
| 130 Stirling | 2010 | Perth CBD Fringe | 12,500 | Commonwealth Government, Mann Judd |
| 171 Collins | 2013 | Melbourne CBD | 33,000 | BHP, Evans and Partners, McGrath Nicoll |
| Workzone Perth | 2013 | Perth CBD | 27,911 | Leighton's and Broad |
| 100 Skyring | 2014 | Brisbane CBD Fringe | 24,800 | Bank of Queensland, Collection House, Konica Minolta |
| 570 Bourke Street | 2015 | Melbourne CBD | 50,700 | Government, Wood & Grieve Engineers |

Historical Track Record

Delivering Prime Office Developments



Zone, Olympic Park, Sydney

| | |
|---------------|--------------------------------|
| SQM | 42,500 |
| Tenant | Commonwealth Bank of Australia |
| Year | 2006 |



275 George Street, Brisbane

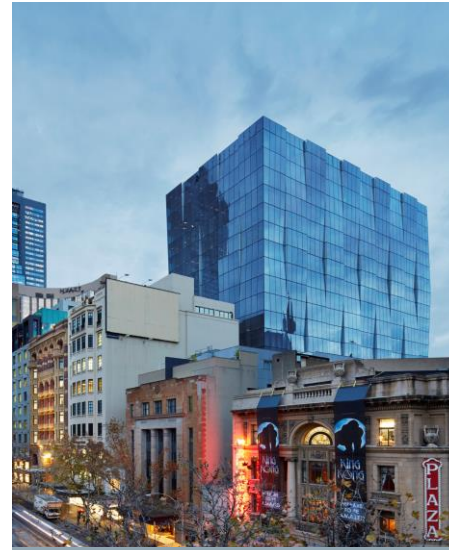
| | |
|---------------|---------------------------------------|
| SQM | 40,000 |
| Tenant | Telstra, Queensland Gas (British Gas) |
| Year | 2007 |

Awards Received a total of 3 awards:

- 2011 PCA Innovation and Excellence Award - Project Control Group, Best Office Fitout (Finalist)
- 2010 Urban Taskforce Development Excellence Award, Commercial Development (Finalist)
- 2010 Australian Institute of Building (Qld Chapter), Professional Excellence Award Commercial Construction \$100M plus

Northbank Plaza, Brisbane

| | |
|---------------|--------------------------------|
| SQM | 26,700 |
| Tenant | Telstra, Queensland Government |
| Year | 2007 |

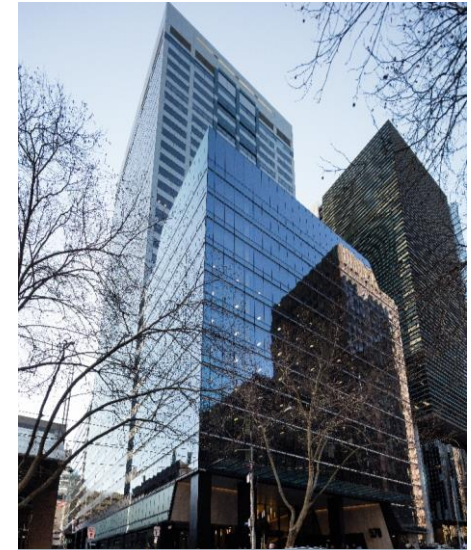


171 Collins Street, Melbourne

| | |
|---------------|---|
| SQM | 33,000 |
| Tenant | BHP, Evans and Partners. McGrath Nicole |
| Year | 2013 |

Awards Received a total of 9 awards including:

- 2014 Asia Pacific Property Awards, Best Commercial High Rise Development - Australia (Winner)
- 2014 Asia Pacific Property Awards, Best Office Development – Australia (Winner)
- 2014 Urban Taskforce Development Excellence Awards, Commercial Development (Finalist)



570 Bourke, Melbourne

| | |
|---------------|---|
| SQM | 50,700 |
| Tenant | State Government, Wood & Grieve Engineers |
| Year | 2015 |

Awards

- 2015 API Excellence in Property Awards – Commendation for Property Development (Vic) (Finalist)

Office Development Objectives



1PSQ, Parramatta, Sydney

Grow Sustainable Pipeline

Grow development investment through building a national portfolio of projects, located in core markets to create high quality investments for our Platform.

Providing Platform with Build to Core Opportunities featuring;

- New product
- Long WALE
- Enhanced Yield on Cost and Equity IRR
- Providing high quality accommodation solutions for tenant customers

Implementation

A. Origination

- Site selection
- Floor space optimisation
- Master planning/add value to existing portfolio

B. Conversion

- Approvals/ Project Brief
- Pre-leasing
- Construction Procurement

C. Delivery

- Build
- Full occupancy
- Transition to Asset Management

Pillars of Strategic Growth

1. Add Value Existing Portfolio

- Master-plan
- Identify strategic adjoining land
- Identify value add opportunities

2. Masterplan Strategic Acquisitions

- Identify medium to long term existing assets
- Add value identification
- Redevelopment potential
- Site amalgamation opportunity

3. Originate

- Focus on:
 - Off market acquisitions
 - EOI/ RFP Processes
 - Government owned sites
 - Sites owned by not for profit sector + non core property
 - Pre-commit tenants

4. Growth Sectors

- Occupant partnering model
- Long WALE creation
- Accessing growing occupiers

5. Partnering

- JV partnering providing;
 - Access to capital
 - Planning approvals
 - Tenant commitments
- Infrastructure eg John Holland + non core property owners
- Universities
- State based organisations

6. Infrastructure/Transit Orientated Development

- Target TOD Projects;
 - Sydney
 - Melbourne
 - Cross River Rail + Brisbane Metro
 - Perth City Link

Project Examples

1. Add Value to Existing Portfolio

Raine Square, Perth

Realise the potential of 1.2 HA existing asset:

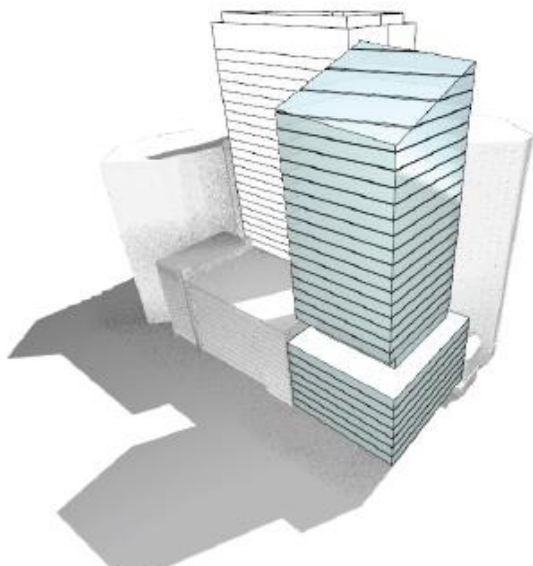
- Convenience Retail
- Entertainment
- Dining
- Major Specialty Anchors
- Health Club
- Conference
- Upgraded Office Lobbies



Project Examples

2. Masterplan New Strategic Acquisitions

55 King Street, Melbourne



Overview

| | |
|------------------------|--------|
| No. levels total | 27 |
| Typ Tower NLA (sqm) | 930 |
| Typ Podium NLA (sqm) | 1,460 |
| Total Office NLA (sqm) | 27,700 |
| Retail Glar (sqm) | 800 |
| Carparks | 42 |
| Total GFA (sqm) | 44,150 |



Project Examples

3. Originate



Wesley Place, 130 Lonsdale, Melbourne



11BCR at Gasworks - 11 Breakfast Creek Road, Newstead, Brisbane

Project Examples

4. Education Sector



1PSQ, Western Sydney University, Parramatta – Completed



Melbourne University - Open Market Tender

Project Examples

5. Partnering

900 Ann Street, Brisbane



Construction progress as at December 2016



Artist's Impression

Project Examples

6. Infrastructure/Transit Orientated Developments (TOD)



Sydney Metro



Melbourne Metro



Cross River Rail Brisbane



Perth City Link

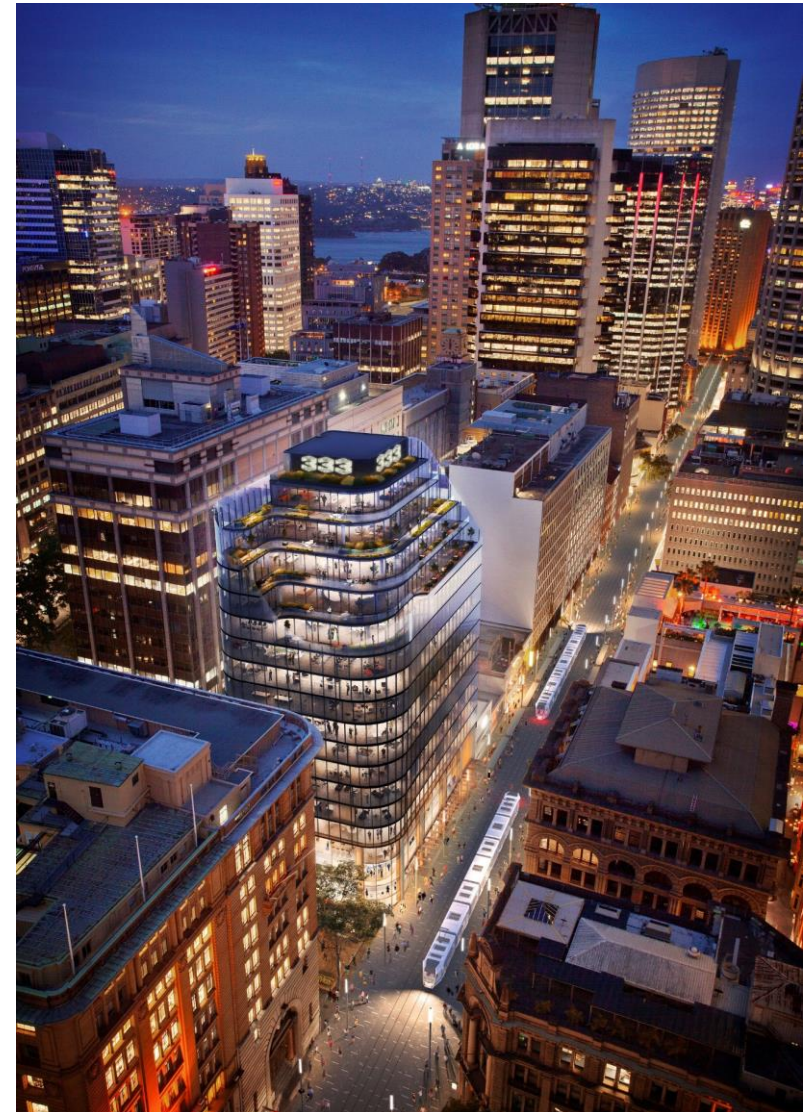
Source: Respective state government websites
Note: Charter Hall is not developing infrastructure projects

Completed Projects

333 George Street, Sydney

Overview

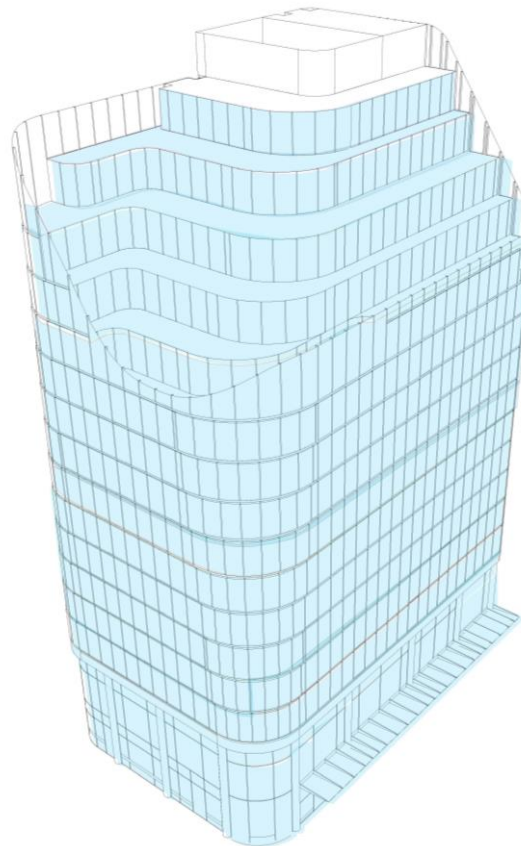
| | |
|-----------------------------|--|
| Date started | 2014 |
| Date completed | 2016 |
| On completion value (\$AUD) | \$325 million |
| Grade | A |
| Ownership | 100% CPOF |
| Total NLA (sqm) | 14,600 |
| Office NLA (sqm) | 12,500 |
| Retail NLA (sqm) | 2,100 |
| Typical floor plate (sqm) | 970 |
| Major tenants | WeWork, Clyde & Co, AIMIA, NAB, HSBC, Woolworths |
| Architect | Grimshaw and Crone Partners |
| Builder | Watpac |
| Total car spaces | 17 |
| End of trip facilities | Fresh towel service, showers, change rooms, lockers and bike racks |
| Retail | NAB, HSBC and Woolworths and Regiment cafe |



Completed Projects

333 George Street, Stack Plan

| | | |
|----------|---------|---|
| Level 16 | 217sqm | AXF Group |
| Level 15 | 389 sqm | Clyde & Co |
| Level 14 | 612 sqm | Wework |
| Level 13 | 767 sqm | Wework |
| Level 12 | 894 sqm | Clyde & Co |
| Level 11 | 966 sqm | Clyde & Co |
| Level 10 | 967 sqm | Clyde & Co |
| Level 9 | 967 sqm | Clyde & Co |
| Level 8 | 970 sqm | Venture Consulting / Diligent/ Airlie Funds Management |
| Level 7 | 971 sqm | Wework |
| Level 6 | 972 sqm | Wework |
| Level 5 | 973 sqm | Wework |
| Level 4 | 974 sqm | Lockton / AIMIA |
| Level 3 | 976 sqm | AIMIA |
| Level 2 | 897 sqm | Grimshaw |
| Level 1 | 859 sqm | Retail - NAB and HSBC |
| Ground | 624 sqm | Retail - NAB and HSBC |
| L Ground | 600 sqm | Retail - Woolworths |
| | 45 sqm | Retail - Regiment Cafe |



| | |
|------------------|-----------------|
| Level 16: | 131 sqm Terrace |
| Level 15: | 189 sqm Terrace |
| Level 14: | 120 sqm Terrace |
| Level 13: | 109 sqm Terrace |
| Level 12: | 68 sqm Terrace |
| Total: | 617 sqm |

Completed Projects

1PSQ - 1 Parramatta Square, Western University Campus

| Overview | |
|-----------------------------|---|
| Date started | 2014 |
| Date completed | 2016 |
| On completion value (\$AUD) | \$252.5 million |
| Grade | A |
| Ownership | 50% - Charter Hall Direct Office Fund 50% - Charter Hall Prime Office Fund |
| Total NLA (sqm) | 26,500 |
| Typical floor plate (sqm) | 1,400 – 2,200 |
| Total car spaces | 80 |
| Major tenant | Western Sydney University |
| WALE | 15 years |
| Occupancy | 100% |
| Architect | Architectus |
| Builder | John Holland |
| End of trip facilities | Secure basement parking, bicycle racks, showers and lockers |
| Retail | Ground floor retail amenities |

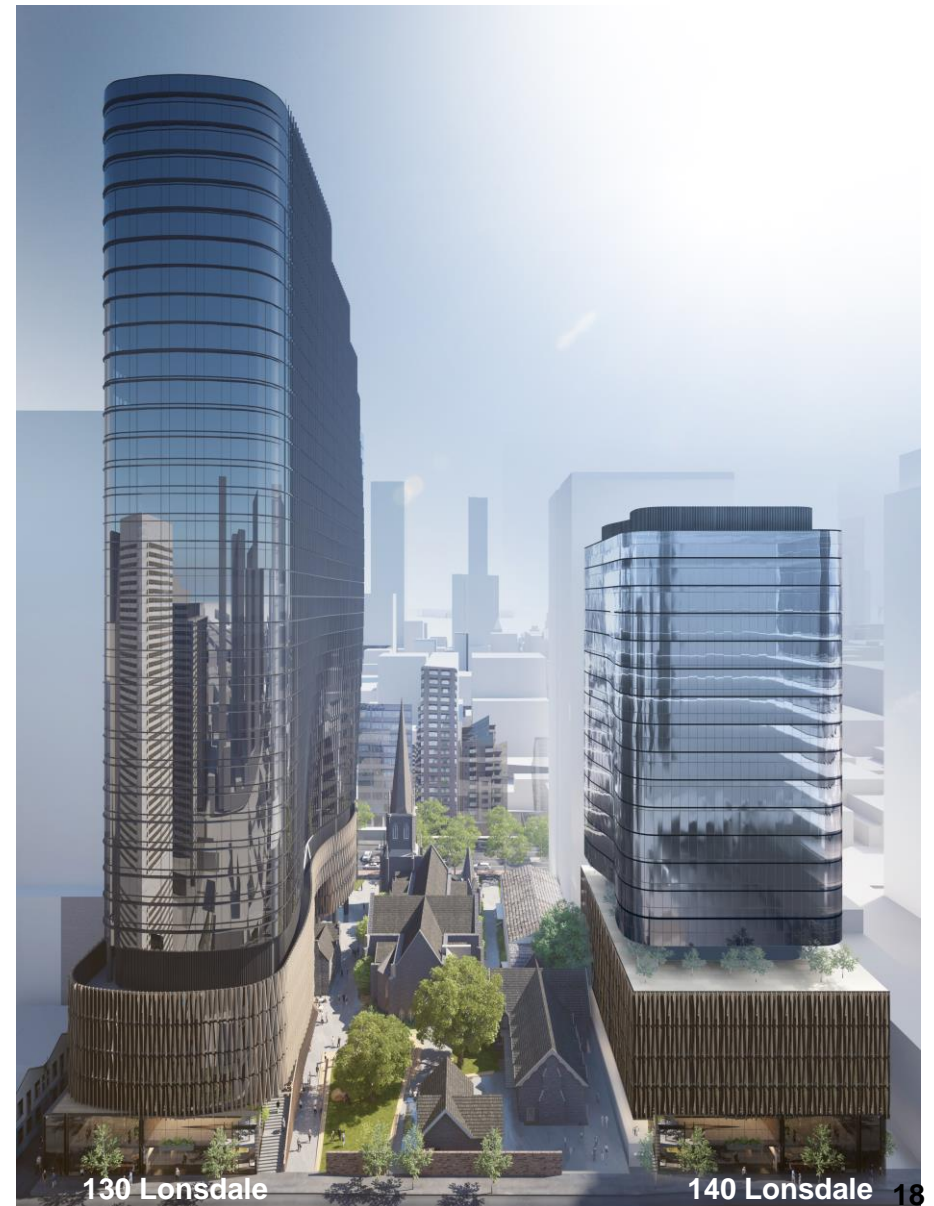


Planned Projects

Wesley Place, 130 Lonsdale Street, Melbourne

Overview

| | |
|--------------------------------|--|
| Start date | 2017 |
| Target completion | 2019 - 2020 (forecast) |
| On completion forecast (\$AUD) | \$600 million |
| Grade | A |
| Ownership | 100% CPOF |
| Total NLA (sqm) | 60,000 |
| Typical floor plate (sqm) | 55,000 |
| Total car spaces | 1,523-1,976 |
| Major tenant | TBA |
| Architect | COX Architecture |
| Builder | Construction tender |
| Total car spaces | Secure basement car parking |
| End of trip facilities | Secure bike parks and lockers Shower and change rooms |
| Retail | An integrated precinct of retail and commercial |



Planned Projects

Wesley Place, 130 Lonsdale Street, Melbourne



Planned Projects

Raine Square Retail



Office Development Pipeline

Overview

Number
of projects



Total Value
\$2.02 Billion

Total Lettable Area
240,000+ sqm



Development Pipeline

Overview



Industrial Development

Andrew Simons
National Manager – Industrial Projects/Development



Historical Track Record

Delivering Industrial Developments

| Project | State | PC Financial Year | GLA | Completion Value (\$m) | Current Value (\$m) | |
|---|-------|-------------------|-------------------|------------------------|---------------------|-----------------|
| 15 Long St, Smithfield (Northline) | NSW | 2014 | 16,516 | \$23.8 | \$30.2 | |
| 2-30 Sainly Drive, Truganina | VIC | 2014 | 46,910 | \$44.8 | \$55.5 | |
| 61 Diesel Dr, Mackay (Blackwoods) | QLD | 2014 | 13,843 | \$25.0 | \$29.5 | |
| 92 Kurrajong Ave, Mt Druitt (Ancon/Spec) | NSW | 2014 | 9,649 | \$12.1 | \$14.8 | |
| TOTAL FY14 | | | 86,918 | \$105.7 | \$130.0 | |
| 14 Worth St, Chullora (Aust Post) | NSW | 2015 | 18,510 | \$19.7 | \$23.4 | |
| 237 Sherbrooke Road, Willawong (Prixcar) | QLD | 2015 | 4,587 | \$43.4 | \$58.1 | |
| Lot 57 Main Beach Rd, Pinkenba (Ceva) | QLD | 2015 | 8,000 | \$18.4 | \$20.8 | |
| 379 Sherbrooke Road, Willawong (Akzo) | QLD | 2015 | 3,400 | \$8.9 | \$10.7 | |
| Rockhampton | QLD | 2015 | 6,994 | \$12.9 | \$14.2 | |
| TOTAL FY15 | | | 41,491 | \$103.3 | \$127.2 | |
| 71 Foundation Rd, Laverton (Woolworths) | VIC | 2016 | 24,895 | \$80.5 | \$92.3 | |
| Laverton Cold Store - Drystone | VIC | 2016 | 6,771 | \$14.1 | \$19.0 | |
| 2637 Ipswich Rd, Darra (Wildbreads) | QLD | 2016 | 12,102 | \$33.2 | \$37.2 | |
| 2637 Ipswich Rd, Darra (Cascade) | QLD | 2016 | 5,801 | \$9.8 | \$11.8 | |
| 2&3 Peachy Road, Yatala (Cope) | QLD | 2016 | 9,550 | \$22.9 | \$24.0 | |
| 7105 Hundred of Bagot, Darwin (Northline) | NT | 2016 | 14,795 | \$27.0 | \$28.5 | |
| TOTAL FY16 | | | 73,914 | \$187.5 | \$212.8 | |
| AHG Prestons | NSW | 2017 | 17,234 | \$43.6 | \$50.0 | |
| Smithfield - Apollo/Axima | NSW | 2017 | 17,071 | \$31.0 | \$31.0 | |
| Target - Drystone | VIC | 2017 | 62,873 | \$79.4 | \$79.4 | |
| Rand - Drystone | VIC | 2017 | 17,904 | \$21.0 | \$21.0 | |
| Parkwest - Abaris | VIC | 2017 | 18,900 | \$14.3 | \$15.0 | |
| The Reject Shop - Drystone | VIC | 2017 | 37,765 | \$44.7 | \$44.8 | |
| Dandenong South (Rondo) | VIC | 2017 | 6,500 | \$9.5 | \$9.9 | |
| Completed to date in FY17 | | | TOTAL FY17 | 178,247 | \$243.50 | \$251.10 |

Industrial Development

WIP & Pipeline

175 hectares

Total Development Land

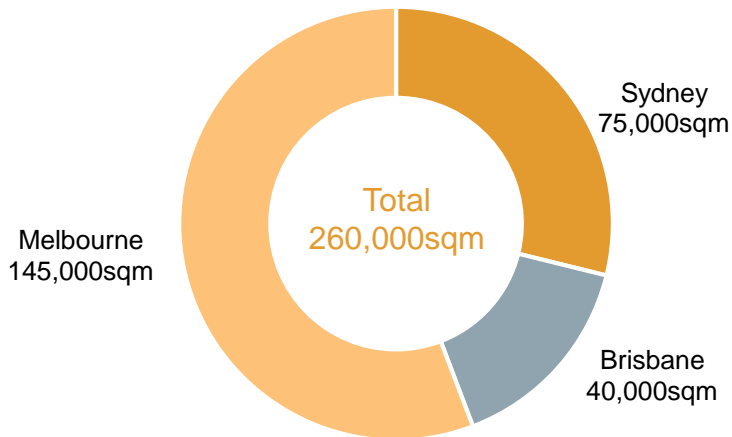
55 hectares

Committed Developments

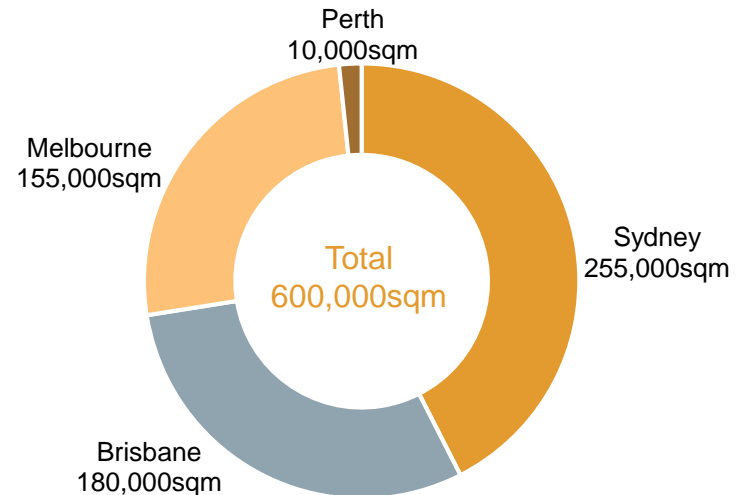
\$420¹ million

Completed Development End Value

Committed¹
(GLA)



Land Bank



- Currently under construction is 115,000sqm GLA
- Looking forward there is the potential for 600,000sqm of GLA with an end value of > \$800m

1. Committed/developed over the last 18 months

Industrial Development Case Study

Chullora Logistics Park – 2 Hume Highway, Sydney



3 mins

Pacific National Rail Terminal



5 mins

Enfield Intermodal Terminal



8 mins

M4 Motorway



10 mins

M5 Motorway



25 mins

Port Botany



27 mins

Sydney CBD

Industrial Development Case Study

Chullora Logistics Park – 2 Hume Highway, Sydney

- Former Fairfax printing and distribution facility 17km from the CBD, constructed mid 1990's
- Charter Hall identified Chullora as a highly land constrained location ideal for metropolitan distribution
- Within the first 12 months secured two significant pre-leases totalling 65% of GLA
- Leveraging off retail relationships and benefitting from the contraction in inner-Sydney options for tenants



Industrial Development Case Study

Chullora Logistics Park – 2 Hume Highway, Sydney

- Size: 10 hectare site
- Potential for 52,000sqm of GLA
- End value of \$125m
- Lion Nathan is a 10,000sqm cold store on a 10 year lease
- Fastway Couriers is a 21,500sqm distribution facility on a 10 year lease
- Two further buildings with maximum of 12,000sqm and 8,500sqm



Industrial Development Case Study

Drystone Industrial Estate – 441 Dohertys Road, Truganina, Melbourne



5 mins

Princes Freeway



7 mins

Westgate Freeway



20 mins

Port Melbourne



21 mins

Melbourne Airport



25 mins

Melbourne CBD

Industrial Development Case Study

Drystone Industrial Estate – 441 Dohertys Road, Truganina, Melbourne

- 85ha estate
- Initial site purchased from receivers following commitment to The 25,000sqm Woolworths Meat Processing Facility
- Strategic acquisition of adjoining parcel from Goodman/ Linfox that unlocked sites full potential
- Within the first 12 months pre-leases totalling 145,000sqm were secured to Target, The Reject Shop, Rand, Laverton Cold Storage and Couriers Please
- The dominant estate within this market



Industrial Development Case Study

M5/M7 Logistics Park – 290 Kurrajong Road, Prestons, Sydney



2 mins

M7/ Bernera Rd Interchange



4 mins

M5 Motorway



8 mins

Future Moorebank Intermodal Terminal



25 mins

Port Botany



25 mins

Sydney Airport

Industrial Development Case Study

M5/M7 Logistics Park – 290 Kurrajong Road, Prestons, Sydney

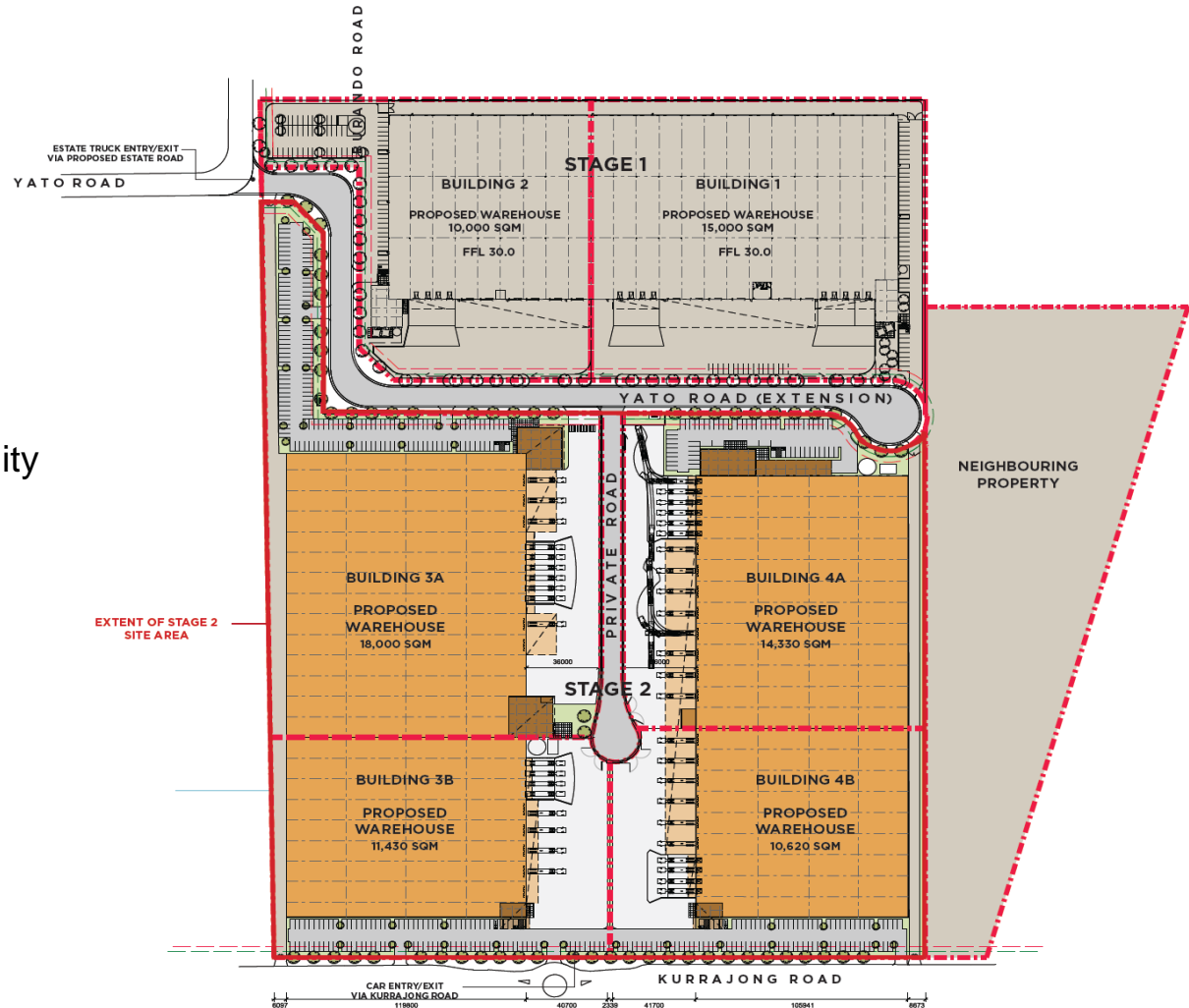
- Former market gardens with 5 different owners
- Becoming a strategic logistics location due to proximity to Moorebank Intermodal and Badgerys Creek Airport
- Secured a pre-lease for 15,000sqm prior to settlement
- The first stage 25,000sqm is due for completion in April 2017 and is now 100% committed



Industrial Development Case Study

M5/M7 Logistics Park – 290 Kurrajong Road, Prestons, Sydney

- Size: 15 hectare site
- Potential for 80,000sqm of GLA
- End value of \$135m
- Bracknells Warehousing is a 15,000sqm facility secured on a 7 year lease
- BAM Wine Logistics is a 10,000sqm facility secured on a 7 year lease
- Currently shortlisted on three major requirements of between 20,000sqm to 30,000sqm



Industrial Development Case Study

Smithfield Industrial Estate – 17 Long Street, Smithfield, Sydney



1 mins

Cumberland Highway



6 mins

M4 Motorway



9 mins

Wetherill Park Shopping Centre



14 mins

Light Horse Interchange



35 mins

Sydney CBD



37 mins

Sydney Airport



40 mins

Port Botany

Industrial Development Case Study

Smithfield Industrial Estate – 17 Long Street, Smithfield Sydney

- Land constrained in-fill site located in the heart of Smithfield's Industrial area
- Purchased from power authority with Building 1, 17,000sqm pre-leased to Northline completed 2013
- Building 2, 17,000sqm undertaken as a speculative development in 2016, (100% pre-leased) prior to completion in December 2016, to Apollo Kitchens (11.5 year lease) and Axima Logistics (7 year lease)



Questions



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