

ASX Release

Charter Hall Long WALE REIT – Results as at 31 December 2016

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Charter Hall Long WALE REIT (ASX: CLW) (the REIT) today announced its results for the period from IPO to 31 December 2016.

Financial highlights:

- Operating earnings of \$7.1 million
- Operating earnings per unit of 3.44 cents
- Statutory loss of \$2.2 million¹
- Distribution of 3.40 cents per unit
- NTA growth of 4 cents per unit since listing to \$3.88
- Balance sheet gearing increased 4.1% from listing to 27.0%

Operational performance:

- 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 the existing debt platform through the inclusion of a new domestic Australian bank; and
- Entry into new interest rate swaps increasing the REIT's overall hedging.

Avi Anger, Charter Hall Long WALE REIT Fund Manager, commented: "This result demonstrates our ability to actively grow the Long WALE REIT with the strategic acquisition of the SUEZ portfolio and a \$9 million increase in revaluations across our retail properties, which has enhanced returns to securityholders.

"We have delivered operating EPU of 3.44 cents, slightly above PDS forecasts. Valuation gains have also lifted the NTA per unit to \$3.88. This result reflects the REIT's strategy of providing investors with stable and secure income with potential for both income and capital growth, via an exposure to a high quality portfolio of long WALE properties."

Accretive Portfolio Acquisition and Positive Revaluations

Gross assets have increased by \$75 million or 6% to \$1.33 billion for the period from listing to 31 December 2016, as a result of \$65.9 million of acquisitions and \$9 million of revaluations. The REIT's diversified portfolio comprises 76 properties with a WALE of 12.2 years (at 31 December 2016) leased to high quality tenants.

¹ The statutory loss of \$2.8 million reported in Charter Hall Long WALE REIT's Interim financial report is for the six-month period ending 31 December 2016. This amount includes \$0.6 million incurred by Charter Hall Direct Industrial Fund (deemed acquirer) prior to the formation of the REIT.



The newly acquired SUEZ portfolio consisted of 10 properties with a portfolio WALE of 15.0 years and a portfolio capitalisation rate of 6.0%. The portfolio leases are structured as triple net with 3% annual rental increases providing 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.

“The acquisition further strengthens the portfolio, is earnings and average rent review accretive and increases the portfolio WALE at 31 December 2016 to 12.2 years, the longest WALE for an ASX listed diversified REIT,” Mr Anger added.

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, which 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 and the SUEZ portfolio acquisition, the portfolio's weighted average capitalisation rate (WACR) tightened by 6bps to 6.31%.

Resilient balance sheet

During the period, the REIT completed a number of capital management initiatives, which have expanded its existing debt platform and increased its overall hedging position. These initiatives include:

1. Inclusion of a second leading Australian domestic bank in the REIT's syndicated debt facility;
2. Increased balance sheet debt facility limit by \$100 million to \$450 million;
3. Entered into \$185 million of new interest rate hedging arrangements.

Post 31 December 2016, the following further capital management initiatives have occurred:

1. CLW share of Coles Perth RDC look through debt repaid and replaced by drawing balance sheet debt; and
2. Associated \$37.4 million look through swaps cancelled and \$40 million of new interest rate swaps entered into in relation to balance sheet debt.
3. Investors have been invited to elect to participate in the REIT's DRP, which may be activated for future distributions.

These completed initiatives are consistent with the REIT's strategy to reduce impacts from interest rate fluctuations and maintain a conservative capital structure with balance sheet gearing of 30% remaining within the 25% to 35% target range.

Strategy and Outlook

The REIT continues to focus on actively managing the portfolio and acquiring assets with long leases to high quality tenants with leading market positions to create value and deliver sustainable and growing returns for investors.

Absent unexpected events, our upgraded FY17 guidance is operating EPU of 16.2 cents², up 1.2% on the listing PDS forecast. The target distribution payout ratio remains at 100% of operating EPU.

² Equivalent to operating EPU of 25.4 cents (annualised) for the period from listing until 30 June 2017

**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 \$19.0 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, please contact

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