

ASX Release

Charter Hall Retail REIT – Delivering on Strategy

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Charter Hall Retail REIT (ASX:CQR) (the REIT) today announced its results for the half year to 31 December 2014.

Key financial results:

- Statutory profit of \$84.3 million
- Operating earnings¹ of \$55.3 million, 14.87cpu
- Distribution of 13.70cpu
- Australian portfolio value of \$2.14 billion, a 7.5% increase on June 2014
- Look through gearing reduced 2.3% to 34.9%
- NTA at \$3.52 per unit, up 3.5% on June 2014

Australian portfolio operating performance:

- Same property NOI growth of 3.4%
- Occupancy maintained at 98.5%
- Specialty rent growth of +2.0%
- Portfolio and anchor WALE stable at 7.2 years and 11.0 years

"We are pleased to have delivered a positive result through a firm focus on the active management and enhancement of our portfolio. We have committed \$166 million of capital to new and existing assets, including the acquisition of two shopping centres for \$96.7 million, with construction complete or underway on \$69.2 million of redevelopments, increasing the portfolio size to \$2.14 billion," said Scott Dundas, the REIT's Fund Manager.

Positive Operational Performance

The REIT's portfolio delivered solid results in the period, with occupancy maintained at 98.5% and same property net operating income (NOI) growth of 3.4%. The REIT continued to deliver positive releasing spreads, with 51 renewals and 87 new leases being completed during the period resulting in specialty rent growth of 2.0%. Same property NOI growth for FY15 is expected to be in the range of 2.25% to 2.75%.

Wesfarmers and Woolworths businesses continue to represent over 50% of annual base rent with seven anchor tenant leases having rent reviews during the period, resulting in turnover rent being converted into base rent. Forty-seven percent of the REIT's anchor tenants are paying turnover rent at 31 December 2014.

Australian property valuations increased by 2.8%² with the total weighted average capitalisation rate firming by 29 basis points to 7.36%.

¹ Operating earnings is a financial measure which represents the net profit / (loss) under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers, capital transactions and other non-core items.

² Excluding acquisition costs during the period.



Enhancing the Portfolio through Selective Acquisitions and Redevelopments

The REIT has continued to enhance the quality of its portfolio through recycling out of non-core properties into larger higher growth properties, with the sale of three neighbourhood shopping centres for \$16.0 million³ and the acquisition of two shopping centres for \$96.7 million⁴ at an average initial yield of 7.2%.

The two new centres, Coomera City Centre in Coomera, Queensland and the Brickworks Marketplace development in Adelaide, South Australia, are both well located centres with strong population growth forecasts and are anchored by Woolworths supermarkets.

The REIT has also continued to deliver on its \$69 million development pipeline, completing a \$17 million redevelopment at Caboolture. A further \$52 million of redevelopments are under construction across New South Wales, Victoria and Queensland.

The \$17 million redevelopment of Caboolture Square in Queensland was completed in August 2014 with a complete refurbishment of the centre including new travelators and an upgrade to communal areas. In the coming months, the Coles supermarket will undertake a full refurbishment along with Kmart's \$5 million planned upgrade with completion of both refurbishments expected in mid to late 2015. The centre is currently 95% leased, in line with the expected stabilisation period.

Prudent Capital Management

The REIT refinanced its syndicated bank debt facility and JV debt facility during the period, extending these by an additional one year to August 2019 and July 2018 respectively.

An incremental \$250 million tranche of the REIT's existing bank debt facility has been credit approved to refinance the CMBS upon expiry in September 2015. This debt maturity remains a key focus for the REIT with other refinancing initiatives well advanced at this time.

The balance sheet continued to strengthen over the period, with NTA increasing by 3.5% to \$3.52 per unit and look through gearing reducing to 34.9%, well within the REIT's target gearing level of 30% to 40%.

Following the sale of all offshore operations, the REIT's operating earnings now align with the Property Council of Australia's definition of "Funds from Operations".

The REIT raised \$15 million in the first half of FY15 through its Distribution Reinvestment Plan, with this accretively funding its redevelopment pipeline.

Strategy and FY15 Outlook

With the sale of the final offshore assets completed during the period, the REIT is solely focused on three key drivers of growth:

- **Active asset management**, maintaining strong tenant relationships, optimising tenancy mix through proactive leasing and enhancing the overall shopper experience.
- **Enhancing the portfolio quality**, through value enhancing redevelopments, selective acquisitions and non-core disposals.
- **Prudent capital management**, with a focus on a strong and flexible balance sheet complemented with a sustainable payout ratio.

Barring unforeseen events, the REIT has maintained its FY15 guidance for operating earnings of between 29.6 and 30.0 cents per unit. The distribution payout ratio range is expected to remain between 90% and 95%.

Mr Dundas said: "We expect the strength in food retailing to continue during FY15 and beyond, with the REIT to continue to see growth in the value of its portfolio as we actively manage our assets to provide unitholders with a secure and growing income stream".

³ Reflects the REIT's share of the property value.

⁴ Reflects the REIT's share of the property value and includes the estimated post completion value of Brickworks Marketplace.



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 23 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$12.1 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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