

ASX Release

Charter Hall grows its portfolio with the acquisition of a 50% interest in Coles' Headquarters in Melbourne for \$140.5m

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Charter Hall Group (ASX: CHC) (Charter Hall or the Group) announces it has entered into an agreement to acquire a 50% tenants-in-common interest in the Melbourne office headquarters of Wesfarmers' subsidiary Coles, a long term occupant of the building which has recently signed a new 15 year lease expiring in 2030.

The purchase was negotiated directly off market from Investa Office Fund (IOF), for a total purchase price of \$140.5 million. The remaining 50% interest in the property is owned by a private group.

The property, known as the Coles Headquarters, is located at 800 Toorak Road, Hawthorn East and is 100% leased to Coles Group Limited for an initial 15 year lease term expiring 17 March 2030, plus options. The building comprises 39,399sqm of net lettable office space, a five level central atrium, dining facilities, conference centre, laboratory and test kitchen facilities, gymnasium, Kmart tyre and auto centre (positioned at the rear of the site), data centre and parking for 1,200 vehicles and an adjoining 1,249 vehicle multi-deck carpark, constructed in 2015.

The price reflects a yield of 5.8% based on the reviewed rent as at 18 March 2017 of \$15,820,542 pa. The property includes 36,770m² site area, 34,002m² of which is subject to the Coles lease. Accordingly, the yield at settlement reflects Charter Hall's assessment of the apportioned value between the site area leased to Coles and the residual area.

This acquisition is consistent with the Group's investment strategy to acquire high quality commercial real estate, on long leases to high quality covenants in core metropolitan markets and is likely to form part of a new or existing portfolio prior to settlement during the 2017 March quarter.

The office building underwent major plant upgrades in 2010 and 2014 including electrical, hydraulic, mechanical and security services in 2010 and in 2014, prior to commencement of the new lease to Coles.

The property is well located in Melbourne's upmarket inner south-eastern suburbs and is in close proximity to the Monash Freeway and other major arterials, providing a direct link to the Melbourne CBD, whilst also benefiting from good access to public transport networks.

Charter Hall Managing Director and Group CEO, David Harrison, explained that the acquisition would see the Group further expand its extensive relationship with Wesfarmers' retail businesses, and maintain its focus on constructing portfolios leased to investment grade tenants on long leases, whilst also recognising that affordable rents will always attract large corporate users to well located properties with good amenity and generous car parking.

"We are pleased to extend our long term relationship with Coles which is now a tenant customer across our office, retail and industrial and logistics sectors. The size and scale of our diversified sector service business model is allowing us to partner with our tenant customers to deliver property solutions that meet their individual business requirements, while ensuring that we create value for our capital partners.



"Should the asset not be settled in the March 2017 quarter by a Charter Hall managed fund, the Group would use cash and debt to settle the acquisition which would be slightly accretive to the Group's operating earnings and WALE in FY17, however the intention is to have a managed fund complete the transaction. In order to maintain investment capacity, the Group has extended its headstock Westpac debt facility to \$200 million to accommodate the possibility of the transaction being settled by the Group" Mr Harrison added.

About Charter Hall

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 \$17.5 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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