

ASX Release

Charter Hall Retail REIT March 2016 Quarterly Operational Update 9 May 2016

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Charter Hall Retail REIT (ASX:CQR) (the REIT) today announced an operational update for the quarter ending 31 March 2016.

Key Operational Highlights

The REIT has continued to deliver on its strategy with a focus on active asset management, enhancing portfolio quality and prudent capital management.

- Occupancy remained stable at 98.3%. Specialty MAT growth up from 3.5% at December 2015, to 4.5% at 31 March 2016.
- Recycling from non-core properties resulted in completion of the sale of two non-core properties for \$20.3 million in Western Australia.
- Completed a second USPP continuing the REIT's diversification into non-bank debt sources with a further 10 year US\$125million US Private Placement maturing in 2026.

Consistent Portfolio Performance through Active Asset Management

Specialty shop sales grew at 4.5%, up from 3.5% at 31 December 2015, highlighting the improving local retail markets in which the REIT operates.

The REIT's anchor tenants, excluding the resource states of Queensland and Western Australia, reported solid growth for stores in turnover of 3.2%. Including Queensland and Western Australia, anchor tenant MAT growth was 1.2% at 31 March 2016.

The occupancy of the REIT's portfolio remained stable at 98.3%. Specialty rental rate growth was 1.0% for the nine months to March 2016, with new leases and renewals both achieving positive results.

Enhancing the quality of the portfolio

The REIT has continued to enhance the quality of its portfolio through recycling out of non-core properties with the sale of Ballajura Central and Collie Central, two non-core properties in Western Australia, occurring in February 2016 and March 2016 respectively for a combined value of \$20.3 million. The net proceeds were used to pay down the REIT's revolving bank debt facility. The sale of these assets reflected a 4.7% premium to the June 2015 book values.

Value enhancing redevelopment is a key element of the REIT's growth strategy to deliver value to our centres, communities and unitholders. The current redevelopment pipeline of A\$129 million remains on time and is forecast to produce a stabilised yield of 7.4%.

Prudent Capital Management - Further Improvements to the CQR Debt Platform

Following the strong support for our inaugural issue into the US Private Placement market (USPP), the REIT continued its diversification into non bank debt sources with a further ten year US\$125 million (A\$177.4 million) USPP which will mature in May 2026. The notes will be issued with a fixed US\$



coupon of 3.76% which is 100% hedged in Australian Dollars and represents a margin of 2.55% over the bank bill swap rate (BBSW).

The second USPP will settle in May 2016 with proceeds used to repay and cancel the \$150 million syndicated bank debt tranche that is due to mature in January 2017.

Commenting on the enhanced debt platform, Fund Manager Scott Dundas said: "Approximately 50% of the REIT's debt has been termed out beyond April 2026 and we have no debt maturities until FY19. The REIT's debt maturity profile and debt sources are now the longest and most diverse that these metrics have been since the REIT was listed in 1995, reflecting management's focus on prudent capital management to align with our non-discretionary long WALE assets".

Outlook

Barring unforeseen events, the REIT reaffirms its FY16 guidance for operating earnings of between 30.25 and 30.75 cents per unit. The distribution payout ratio range is expected to remain between 90% and 95%.

"As the economy continues to transition from the resource sector to a more diversified, services and infrastructure led economy, our non-discretionary retail focus positions the REIT well to continue to deliver a secure and growing income stream for investors," Mr Dundas said.

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 25 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$16.4 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

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