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Charter Hall Group (CHC) announces the strategic acquisition of Macquarie Group's core real estate management platform and \$220 million equity raising

Friday, 12 February 2010

- **Strategic acquisition of the majority of Macquarie Group's core real estate management platform including co-investment interests held in the managed funds (the Platform)**
- **Will create one of Australia's largest specialist real estate fund managers with over \$10 billion in assets under management**
- **Acquisition forecast to deliver FY11 underlying EPS accretion of 18%**
- **Acquisition partly funded by a \$220 million fully underwritten placement and entitlement offer (together, the Offer) with an additional \$85 million placement to Macquarie representing the majority of the consideration for the funds and property management business**

Charter Hall Group (Charter Hall) is pleased to announce that it has agreed to acquire the majority of Macquarie Group Limited's (Macquarie) core real estate management platform. This transaction involves Charter Hall acquiring the management business associated with two listed and three unlisted real estate funds for \$108 million¹ and the majority of Macquarie's holding in three of these funds for \$189 million (the Acquisition).

The Acquisition positions Charter Hall as one of the largest specialist real estate fund managers in Australia, with assets under management in excess of \$10 billion across listed, wholesale and unlisted retail equity sources. The Platform complements Charter Hall's existing operations, enhancing the current vertically integrated business, resourced by an additional 155 property executives increasing total Charter Hall staff to 220 personnel. Charter Hall will be investing in and providing management services across the full spectrum of real estate investment and development activities.

Commenting on the Acquisition, Charter Hall's Chairman, Kerry Roxburgh, said "We are very excited about the Acquisition and believe that the Platform represents a strong strategic fit with our

¹ A further \$15 million may be payable subject to an earn-out.



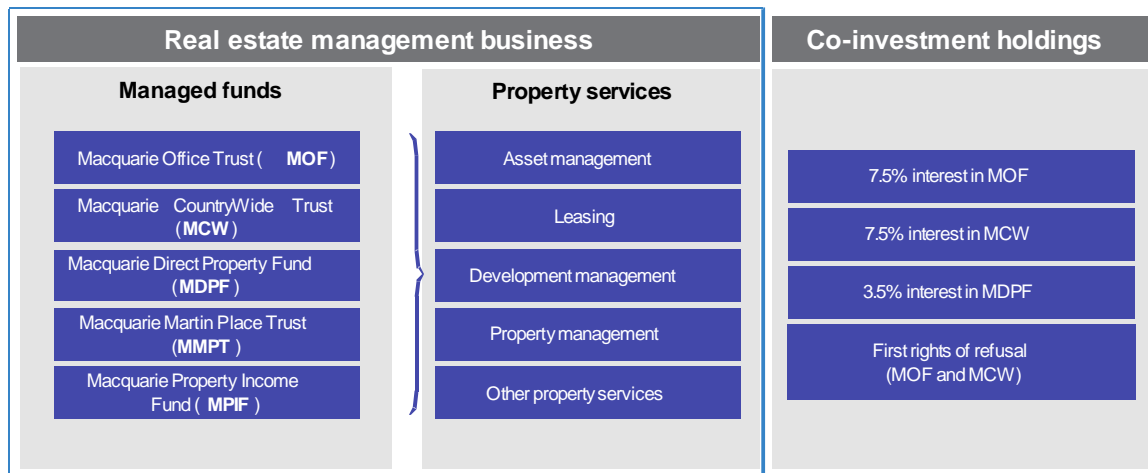
existing business. This Acquisition is expected to be earnings accretive in FY11 and provides an excellent basis to grow and develop Charter Hall.”

As partial consideration for the management business, Macquarie will receive an \$85 million placement at \$0.70 per security, representing a 10% strategic interest in Charter Hall. In addition, the Gandel Group, an existing strategic investor in Charter Hall, has committed to be issued with up to \$68 million under the Offer and will at a minimum maintain their 12.2% interest in Charter Hall.

Acquisition overview

Charter Hall has agreed to purchase the majority of Macquarie’s core real estate management platform which comprises:

- Management of two listed and three unlisted real estate funds (together the Funds)
- Co-investment holdings in Macquarie Office Trust, Macquarie CountryWide Trust and Macquarie Direct Property Fund



Real estate management business

Charter Hall is acquiring a well-resourced platform with employment offers being made to over 95% of Macquarie real estate executives involved in the management business. In particular, key senior personnel including the CEOs and CFOs of each Fund have agreed to transfer to Charter Hall on employment contracts, ensuring the benefit of the existing knowledge base is retained within the Platform. A detailed integration plan has been implemented to ensure a smooth transition.



The purchase price of \$108 million for the funds management business represents an FY11 EBIT multiple of 7.7x and 1.5% of assets under management. In addition, a further \$15 million may be payable subject to an earn-out.

Co-investment holdings

Charter Hall has agreed to acquire from Macquarie the majority of its co-investment holdings in three real estate funds (7.5% in MOF and MCW and 3.5% in MDPF) for a total consideration of \$189 million. The purchase price of the co-investment holdings is approximately equal to market price and represents an aggregate discount to NTA at 31 December 2009 of 23%. Charter Hall will also have an indefinite first right of refusal over Macquarie's remaining units in MOF (6%) and MCW (4%). In addition, it has been agreed that Macquarie will hold its remaining interests in MOF and MCW for at least the next 12 months.

Acquisition funding

The funding of the Acquisition will be as follows:

Sources		Applications	
Entitlement Offer (\$0.65 per security)	\$195m	Funds management business	\$108m
Institutional Placement (\$0.70 per security)	\$25m	Co-investments	\$189m
Macquarie Placement (\$0.70 per security)	\$85m	Transaction costs	\$13m
Macquarie debt facility	\$10m	Working capital	\$5m
Total	\$315m	Total	\$315m

Charter Hall will conduct a \$195 million, fully underwritten, 2 for 5 Entitlement Offer at \$0.65 per security and a \$25 million Institutional Placement at \$0.70 per security.

Also, Macquarie will receive an \$85 million placement at \$0.70 per security as partial consideration for the management business.

The Gandel Group has committed to be issued with up to \$68 million under the Offer, comprising their full entitlement of \$24 million, a \$14 million priority allocation in the Institutional Placement and a sub-underwriting commitment of up to \$30 million across the Institutional Placement and Entitlement Offer. These commitments further endorse Gandel's support for Charter Hall and this transaction.



Acquisition impact

The Acquisition will provide immediate scale which will complement organic growth of Charter Hall's funds management business delivering the following benefits:

- Positions Charter Hall as one of Australia's largest specialist real estate fund managers, with assets under management increasing to over \$10 billion
- Diversifies Charter Hall's equity sources – provides access to listed equity and significantly increases exposure to core funds
- High quality, well resourced platform will complement Charter Hall's existing expertise and ensure continuity of management
- Forecast to deliver FY11 underlying EPS accretion of 18% and 27% uplift over FY10 Charter Hall standalone EPS of 3.95 cents per security

David Southon, Joint Managing Director of Charter Hall said "The Acquisition of a vertically integrated platform complements the existing business, providing substantial scale and significant growth potential. The combination of Charter Hall's capabilities and the continuity of Macquarie's management team will provide an enhanced offering to investors."

David Harrison, Joint Managing Director of Charter Hall added "The Acquisition of this well-resourced Platform enables Charter Hall to diversify its equity sources further without losing focus on our unlisted wholesale and retail business. The outlook for real estate has improved substantially and we believe the Acquisition of the Platform at an attractive point in the real estate cycle will deliver long term value for securityholders, provide one of the largest specialist property teams in Australia across the risk/return spectrum and exploit the growth opportunities available in a recovering property market."

The Offer

Charter Hall will raise \$220 million under the Offer, comprising the Institutional Placement and an accelerated non-renounceable Entitlement Offer. Securities issued under the Offer will rank equally with existing securities on issue.

Institutional Placement

Charter Hall is conducting a \$25 million Institutional Placement at \$0.70 per security. Gandel Group has committed to sub-underwrite the Institutional Placement and will receive a priority allocation of \$14 million, with the balance being available to other institutional investors.



Entitlement Offer

Under the Entitlement Offer, eligible securityholders are invited to participate on a pro-rata basis by subscribing for 2 new Charter Hall securities for every 5 securities owned at 7.00pm on 16 February 2010 at an issue price of \$0.65 per security.

The Entitlement Offer price of \$0.65 per security represents:

- 14% discount to Charter Hall's close price of \$0.76 on 10 February 2010; and
- 10% discount to Charter Hall's 5 day VWAP of \$0.73.

Indicative timetable

Institutional offer opens	12 February 2010
Institutional offer closes	3.30pm (AEDT), 12 February 2010
Record date under the Entitlement Offer	7.00pm (AEDT), 16 February 2010
Retail offer opens	18 February 2010
Initial close for the retail offer (BPAY® only)	5.00pm (AEDT), 25 February 2010
Trading commences for securities allotted under the initial allotment	1 March 2010
Retail offer closes	5.00pm (AEDT), 5 March 2010
Final allotment	16 March 2010
Trading commences for securities allotted in the final allotment	17 March 2010

Eligible retail securityholders will be sent details of the entitlement offer shortly. Retail securityholders with questions about the Offer should contact the Entitlement Offer Information Line on 1300 664 498 or visit www.charterhall.com.au.

ENDS

David Harrison

Joint Managing Director

0412 259 751

davidh@charterhall.com.au

David Southon

Joint Managing Director

0418 479 155

davids@charterhall.com.au

Jo Stiles

Marketing & Communications Manager

0414 499 199

jos@charterhall.com.au

About the Charter Hall Group:

Charter Hall Group is a property funds management and development company, based in Sydney with offices in Melbourne, Brisbane, Perth and Auckland. Established in 1991 and listed on the ASX in 2005 as a stapled security under the code CHC, Charter Hall Group combines Charter Hall Limited with Charter Hall Property Trust, which will now own and/or manage over \$10 billion in real estate assets. The Charter Hall Group has achieved a solid track record across its activities demonstrating



a 13 year history of managing wholesale and retail capital, making it one of Australia's leading property fund managers. Charter Hall's success has been underpinned by a highly skilled and motivated management team with diverse expertise across property sectors and risk-return profiles.

Charter Hall Limited

ABN 57 113 531 150

Charter Hall Funds Management Limited

ABN 31 082 991 786

Sydney Melbourne Brisbane Perth Adelaide Auckland

Level 11 | 333 George Street | SYDNEY | NSW 2000

GPO Box 2704 | SYDNEY NSW 2001

Ph: +61 2 8908 4000 | Fax: +61 2 8908 4040

www.charterhall.com.au

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This announcement may contain certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Statements regarding certain plans, strategies and objectives of management and indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Charter Hall Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Recipients are cautioned not to place undue reliance on forward-looking statements. Charter Hall Group assumes no obligation to update such information.