

Charter Hall Group

2015 Macquarie Australia Conference



Agenda



David Southon
Joint Managing Director



David Harrison
Joint Managing Director



Paul Altschwager
Chief Financial Officer

-
- 1 Group overview**
 - 2 Property market drivers**
 - 3 Sector overview**
 - 4 Growth, FUM and capital markets**
-

Charter Hall Group

Group overview¹

More than 23 years experience investing in and managing Australian real estate

Property funds management platform

\$12.7bn FUM (39% total Group OEPS)

31 Dec 14

- Investment management
- Asset management
- Property management

| | |
|--------------------------|----------|
| FUM | \$12.7bn |
| No. of properties | 270 |
| Gross income | \$1.1bn |

- Development management
- Transaction services
- Capital management

Charter Hall Group property investment

\$795m co-investments (61% total Group OEPS)

OFFICE
\$291m
(37% of portfolio)

RETAIL
\$218m
(27% of portfolio)

INDUSTRIAL
\$174m
(22% of portfolio)

HOSPITALITY
\$112m
(14% of portfolio)

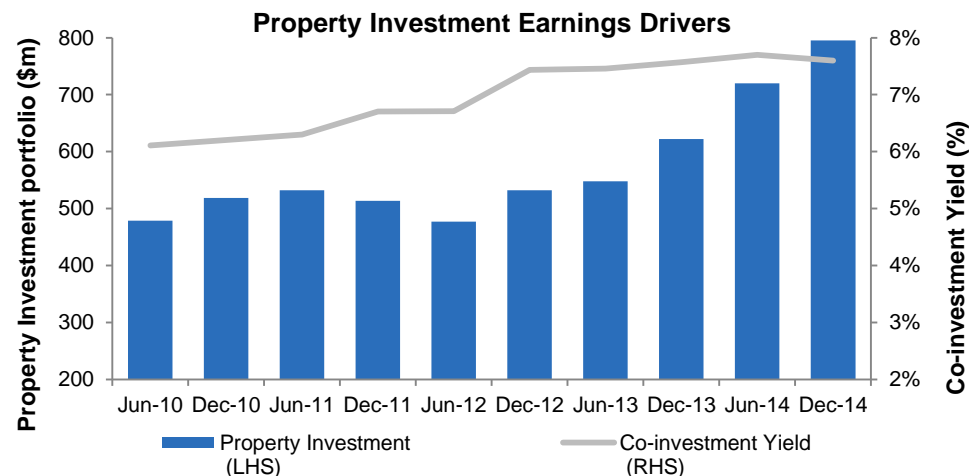
1. OEPS contribution split between funds management platform and Property Investment portfolio based on the full financial year to 30 June 2014

Operating earnings growth

Earnings drivers

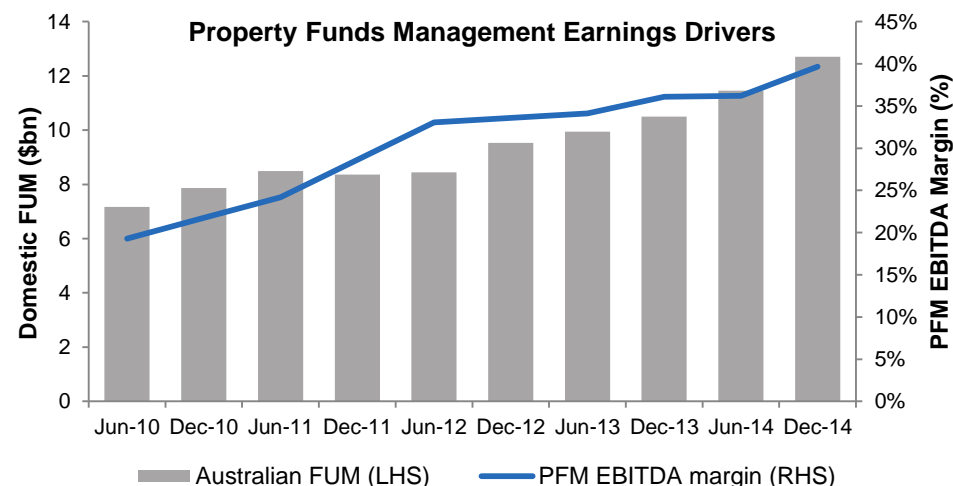
Growth in co-investment yield

- Property Investment co-investment yield has risen materially in recent years from 6.1% in 2010 to 7.6% as at 31 Dec 14
- Property Investment balance sheet has grown from sub \$500m in 2010 to \$795m as at 31 Dec 14



Growth in funds management platform

- Australian FUM has grown from \$7.2bn in 2010 to \$12.7bn as at 31 Dec 14
- Property funds management EBITDA margin has grown from approx. 20% to 40% over the same period



Consistent delivery on strategy

1HY15 Results summary

| | ACCESS | DEPLOY | MANAGE | INVEST |
|----------|--|--|--|--|
| | Access to multiple equity sources | Creating value through attractive investment opportunities | Property funds management, asset management, leasing & development services | Investing alongside our capital partners |
| 6 Months | \$944m gross equity raised | \$2bn transactions \$1.4bn acquisitions \$0.6bn divestments | \$12.7bn FUM 270 properties 2,264 tenants 284 leasing deals | \$795m of property investments with 7.17% WACR² and 8.8% discount rate |
| 3 Years | \$4.4bn gross equity raised | \$8.3bn transactions \$5.8bn acquisitions \$2.5bn divestments | \$4.3bn FUM growth 113 additional properties | WALE¹ increased by 3yrs to 9.5yrs |

1. WALE is the Weighted Average Lease Expiry for the Property Investments portfolio which is measured by all tenants remaining leases in years, weighted by each tenant's gross income as a proportion of the total potential gross income for the portfolio

2. WACR is Weighted Average Cap Rate for the Charter Hall Group Property Investments portfolio and is weighted by individual co-investment value as a proportion of total property investments

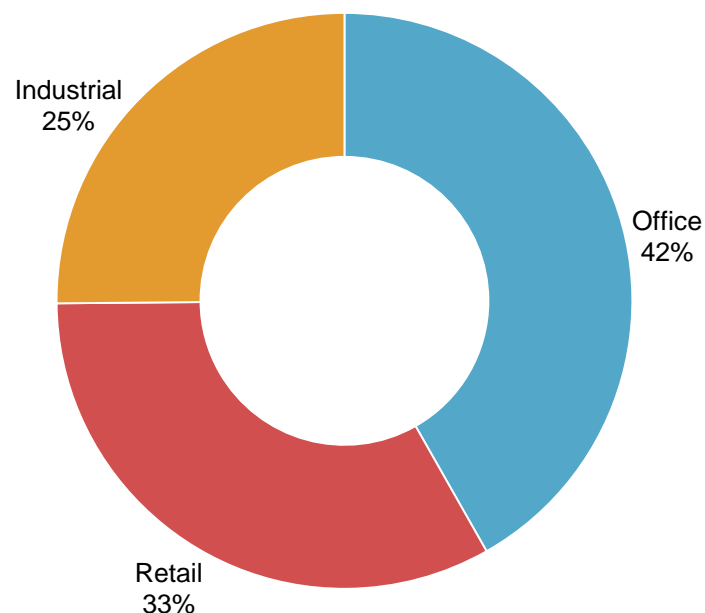
Enhanced portfolio quality

Property investments

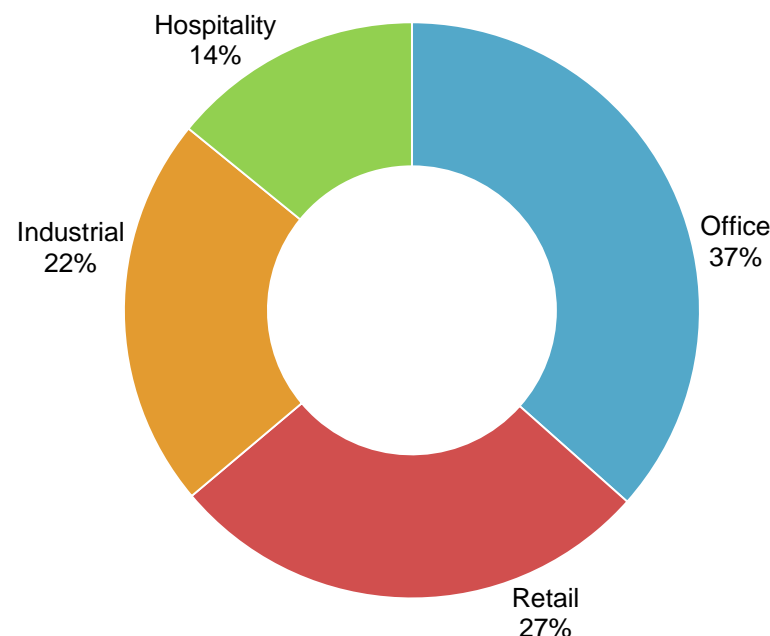
In line with our strategy, Charter Hall Group has continued to focus on reweighting its Property Investments towards a more diversified portfolio

- Property Investment portfolio has increased its exposure to long WALE industrial, hospitality and retail assets
- Diversification of the portfolio has been further enhanced with an investment in LWIP

**Property Investments by Sector
30 June 2014**



**Property Investments by Sector
31 December 2014**

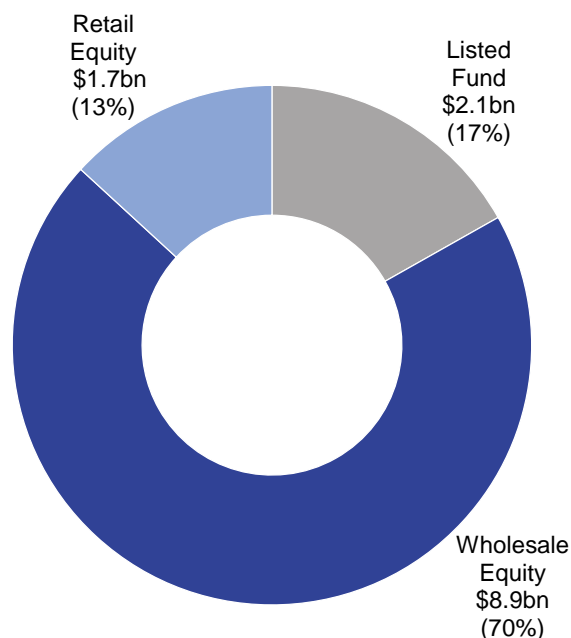


Well diversified funds management portfolio

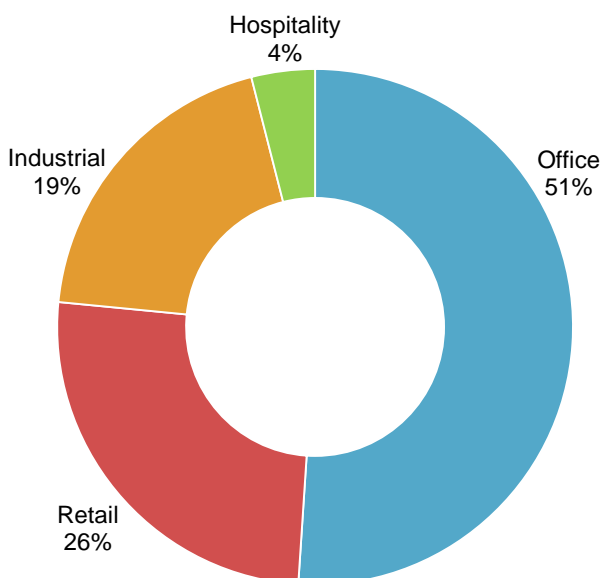
Property funds management

| | Portfolio Size (\$bn) | No. of properties | No. of tenants | Gross income (\$m) | WALE (years) | Occupancy (%) | Average cap rate (%) |
|--------|-----------------------|-------------------|----------------|--------------------|--------------|---------------|----------------------|
| Dec 14 | 12.7 | 270 | 2,264 | 1,081 | 8.1 | 97.5% | 7.30% |
| Jun 14 | 11.5 | 209 | 2,289 | 1,000 | 7.3 | 96.8% | 7.68% |

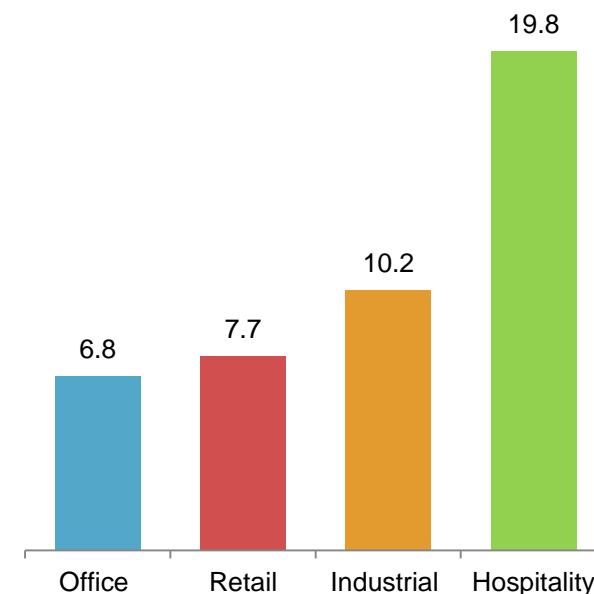
Diversification by funding source



Asset type diversification¹



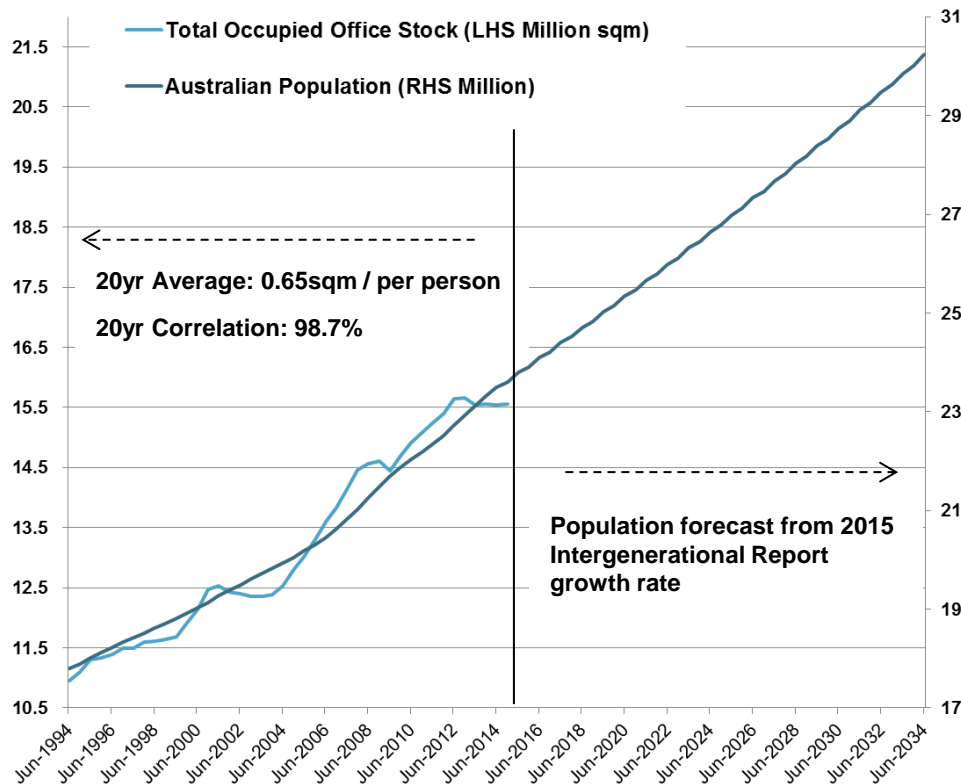
WALE by sector



1. LWIP is allocated between the Hospitality sector (82%) and Retail sector (18%)

Favourable demographic outlook

Total Australian population and occupied office stock



- While peaks and troughs emerge from economic cycles, tenant requirements are fundamentally driven by Australia's total population level.
- The 2015 Intergenerational Report forecasts Australia's population to reach 37.8 million by 2050.

Source: PCA, ABS, Treasury

Improving employment fundamentals



Lower \$AUD improving international competitiveness



Residential strength constraining office supply



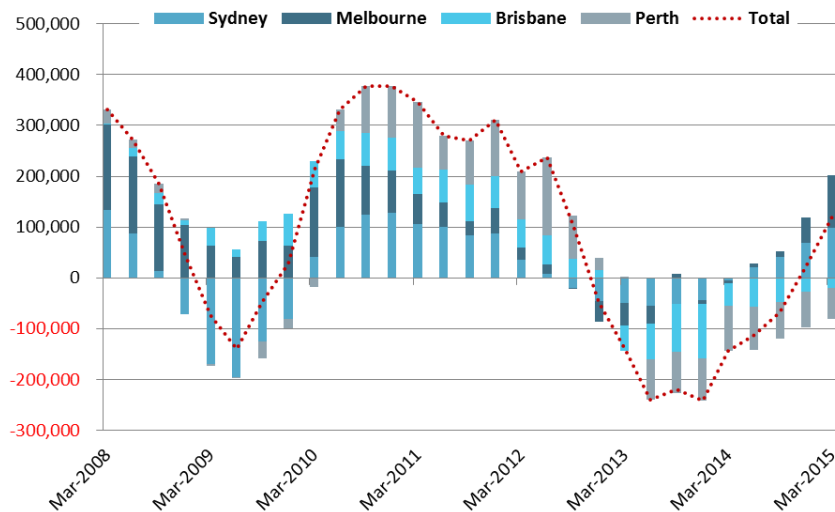
Strong investment demand for prime grade assets

Office market

Tenant demand recovering and strong capital drivers, but with material upcoming supply

- Demand has recovered led by strong performances from Sydney and Melbourne. While Perth remains challenged, forward indicators, such as job advertisements, are positive in other markets.
- Supply under construction is significant and we expect market vacancy to broadly peak in 2015/16 as this stock comes online, although mooted withdrawals will likely see vacancy contract relatively quickly in following years.
- Employment expectations recently released by the DOE have shown a meaningful increase at 10% overall in the coming five years.

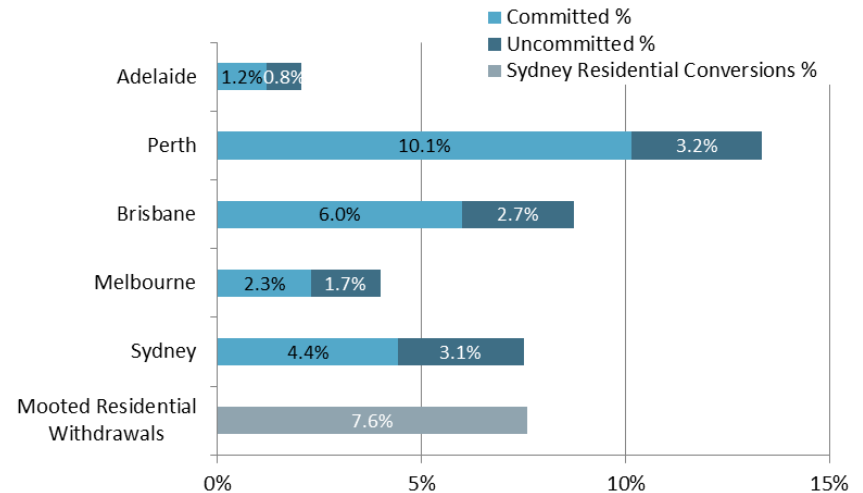
Major Capitals Annual Net Absorption



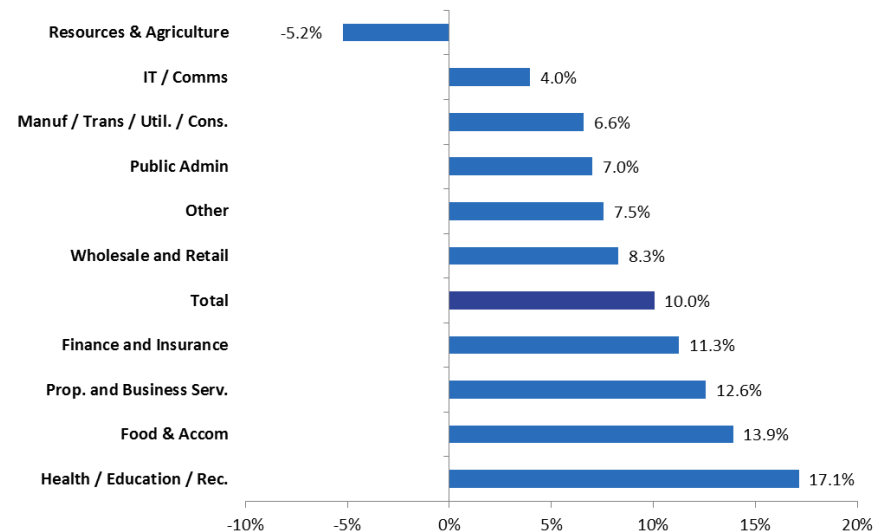
Source: JLL, DOE, Charter Hall

2015 Macquarie Australia Conference | Not for distribution in the United States or to U.S Persons

Relative Supply Under Construction by CBD (Mar-15)



5yr Employment Forecast by Sector (DOE)

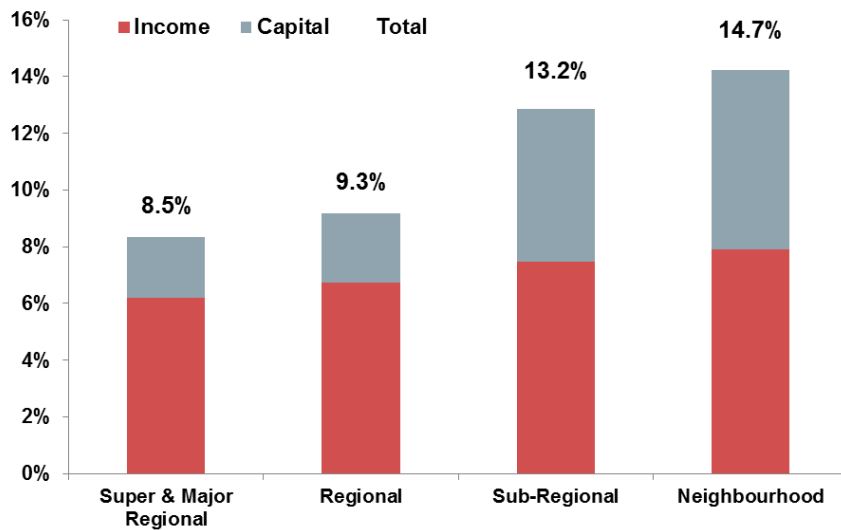


Retail market

Long term growth of supermarkets has driven outperformance

- Over the past 20 years Charter Hall's preferred retail exposures of food-anchored and hardware & garden centres have shown superior growth in retail trade.
- This stability of growth within the supermarket sector has been reflected in total return performance during 2014, with Neighbourhood and Sub-regional centres materially outperforming larger discretionary-anchored centres.

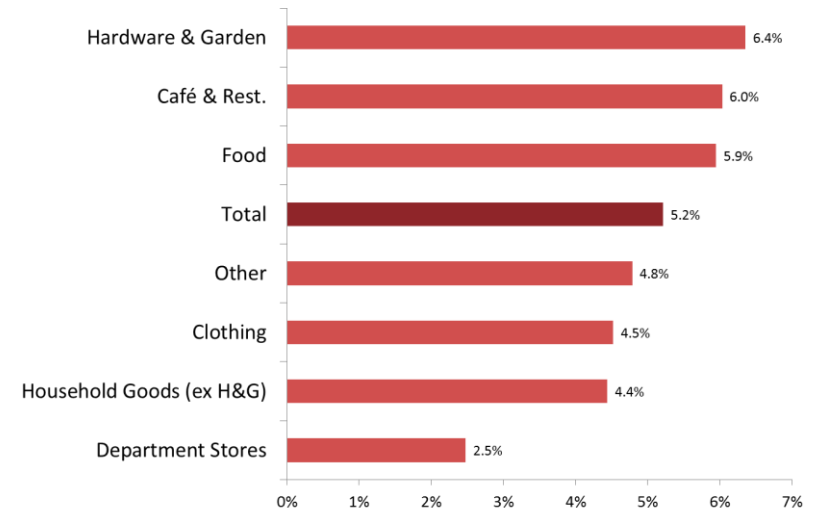
Total Return by Retail Asset Class – 2014



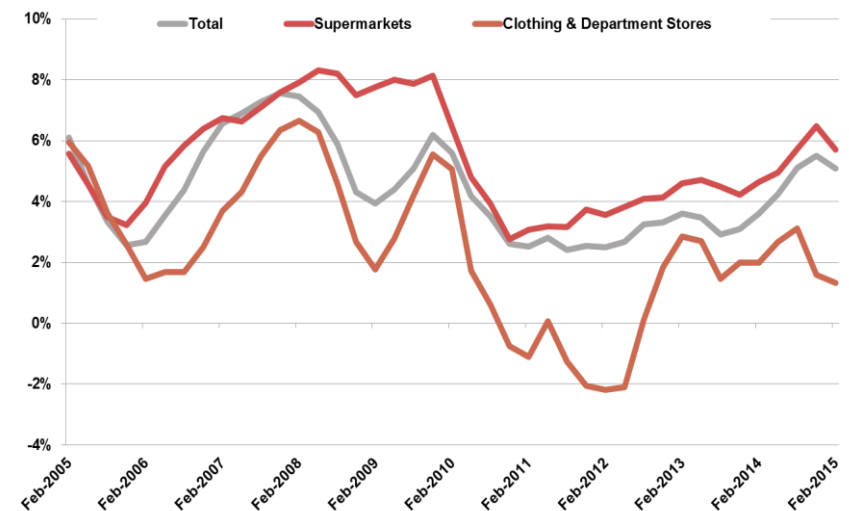
Source: ABS, IPD, Charter Hall

2015 Macquarie Australia Conference | Not for distribution in the United States or to U.S Persons

20yr Retail Trade CAGR by Category



Retail Trade Growth by Category

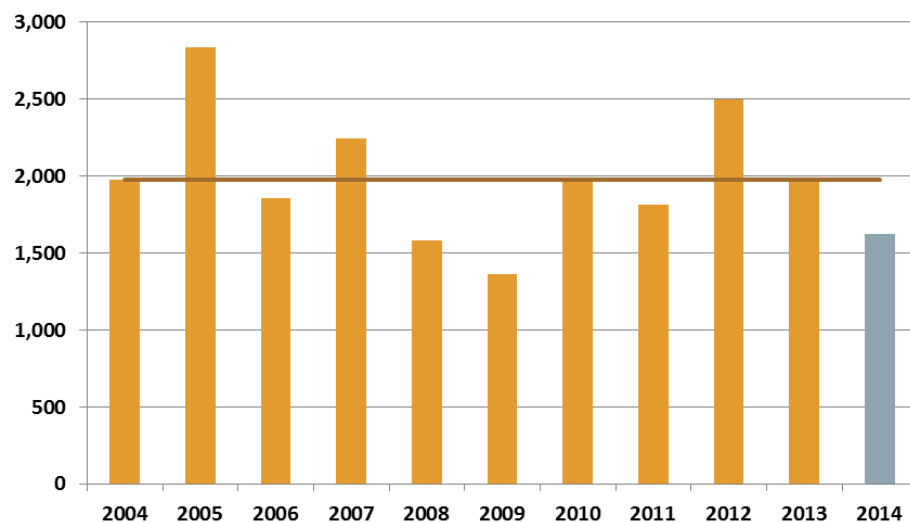


Industrial market

Top performing sector with attractive lease structures, but demand slowed in 2014

- Industrial was the top performing sector in 2014 according to IPD, with strong risk-adjusted returns driving increased interest in the sector.
- Tenant activity did slow however as the lower \$AUD moderated growth in internet retailing and the declining resources sector impacted some logistics groups.
- This has been met with a corresponding reduction in industrial supply, which adjusts quickly in the sector due to short construction times, with real industrial approvals down 17% during the year and stock under construction running ~20% below 2014 supply levels.

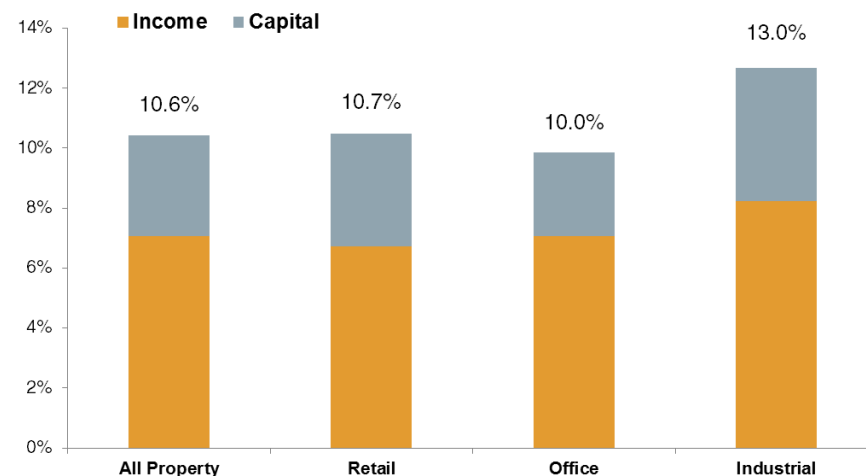
Major Industrial Leasing Activity



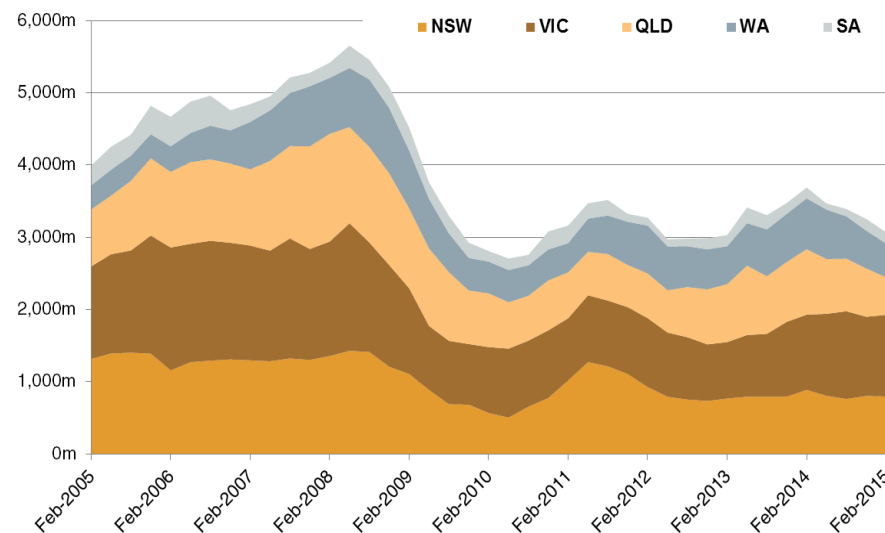
Source: IPD, JLL, ABS, Charter Hall

2015 Macquarie Australia Conference | Not for distribution in the United States or to U.S. Persons

Total Returns by Property Sector



Real Value of Factory & Warehouse DA's (\$m)

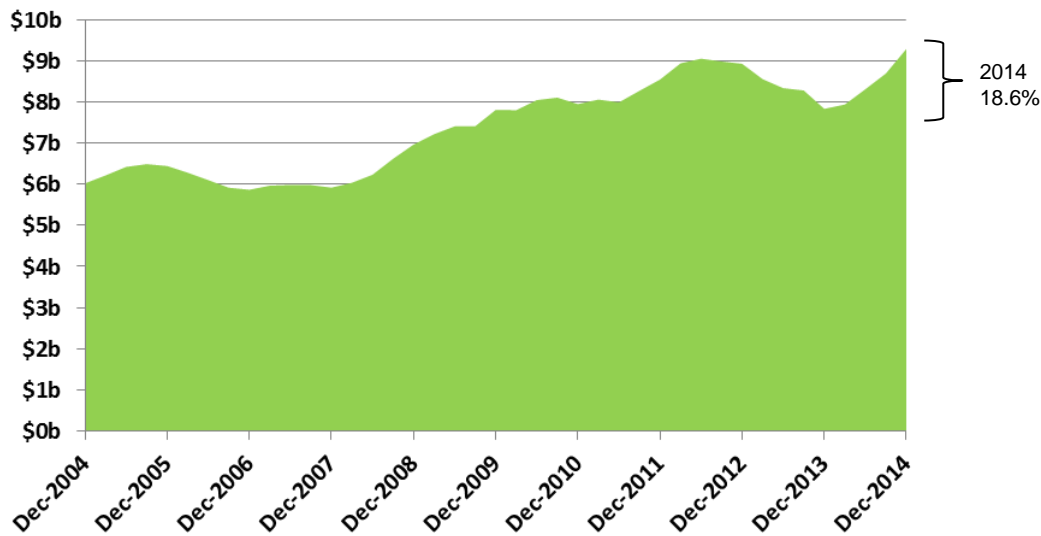


Hospitality market

Attractive tenancy structures with strong trade fundamentals

- Long term, strong covenant, leases are highly attractive in the current environment.
- The declining \$AUD has seen recreation & hospitality emerge as Australia's top performing sector in 2014 for both job gains and revenue growth.

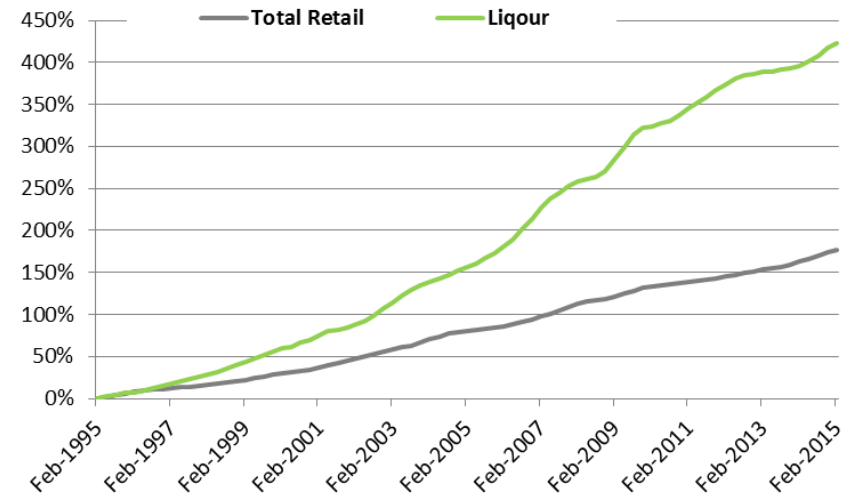
Hospitality Industry Gross Profits (ABS)



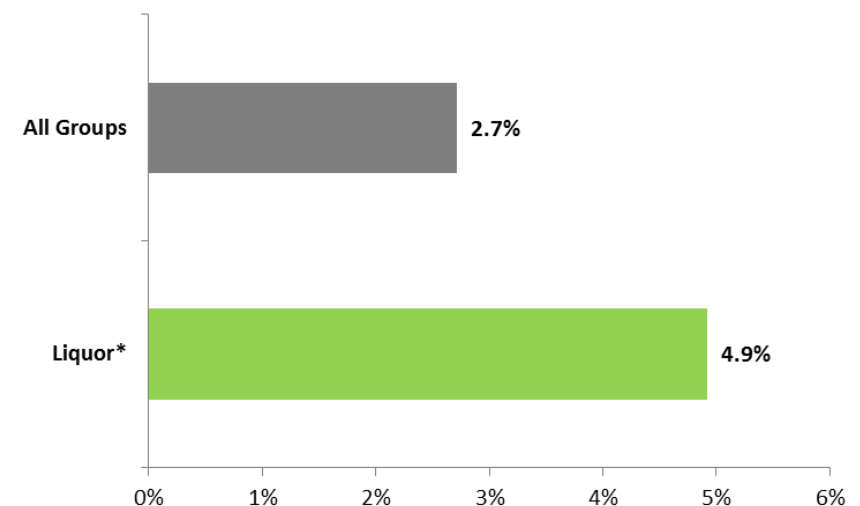
Source: ABS, RBA, Charter Hall * Liquor including tobacco according to ABS/RBA index

2015 Macquarie Australia Conference | Not for distribution in the United States or to U.S Persons

20yr Retail Trade Growth



Australian 20yr Compound Inflation Rate

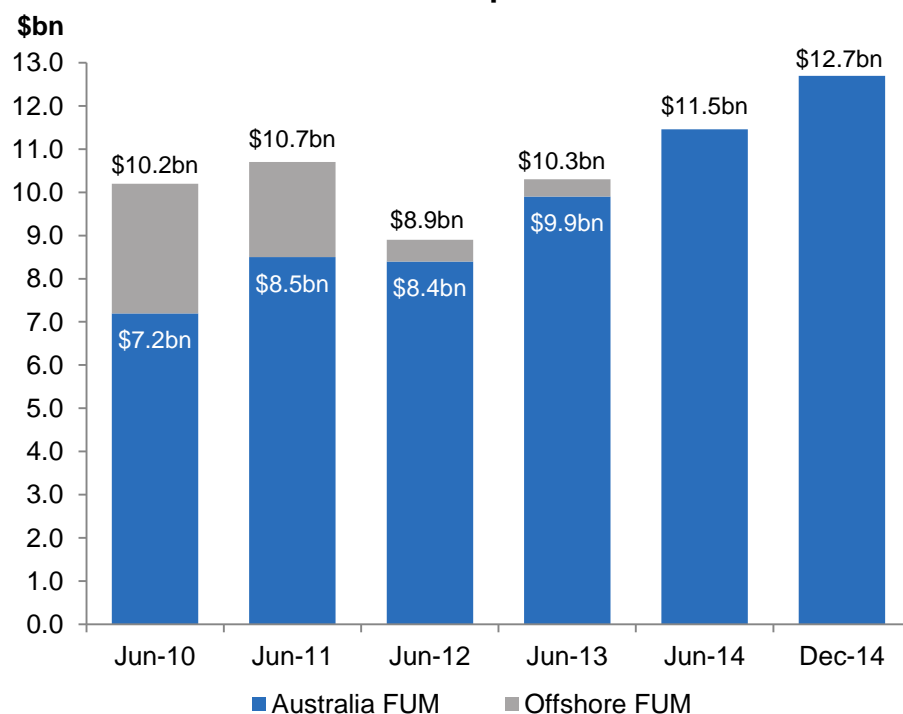


Australian FUM growth

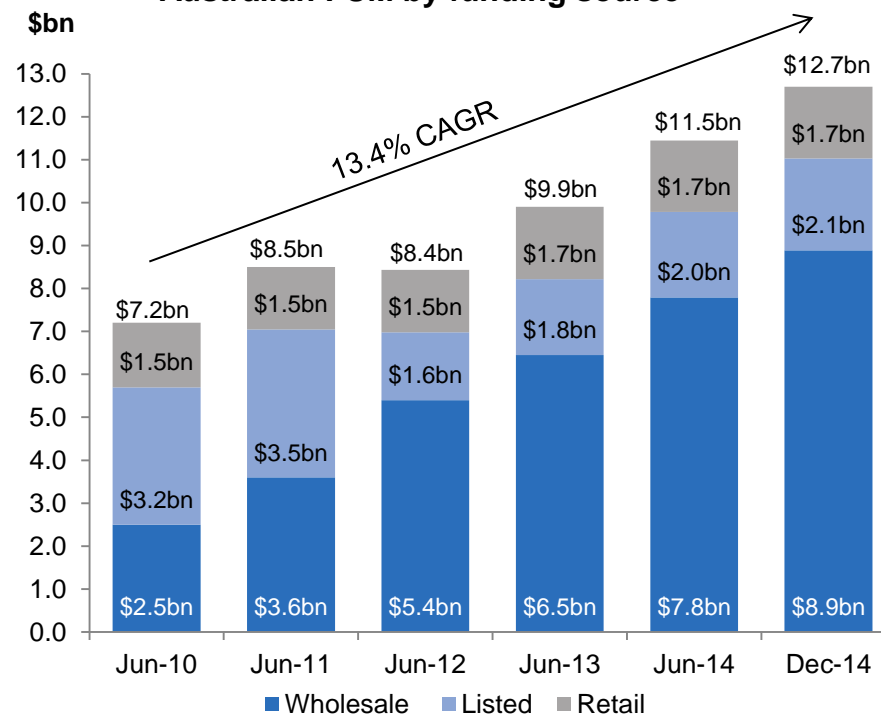
Property funds management

- FUM growth driven by activity in the Industrial, Retail and new Hospitality sector
 - Australian property FUM has increased \$1.2bn, or 10.4% during 1HY15 to \$12.7bn
 - 13.4% CAGR in domestic FUM since June 2010

Total Group FUM



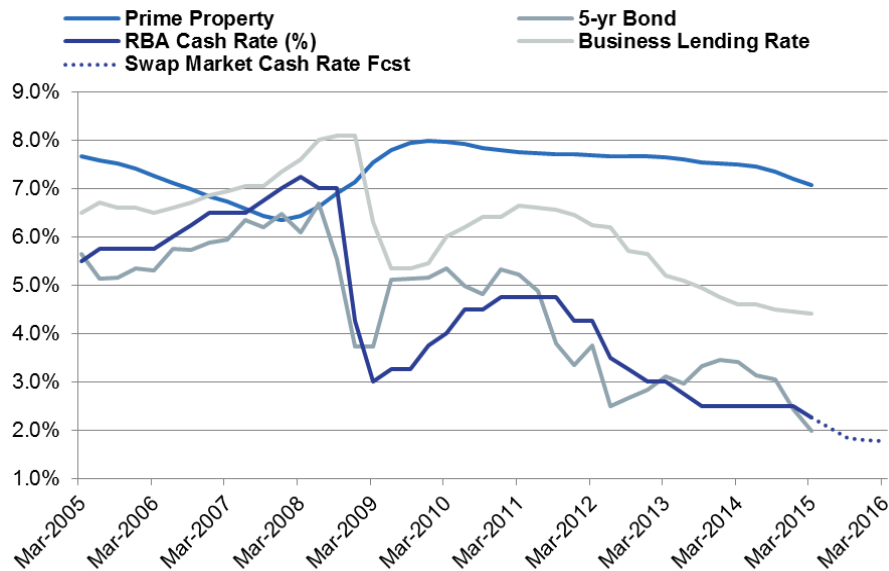
Australian FUM by funding source



Property capital drivers

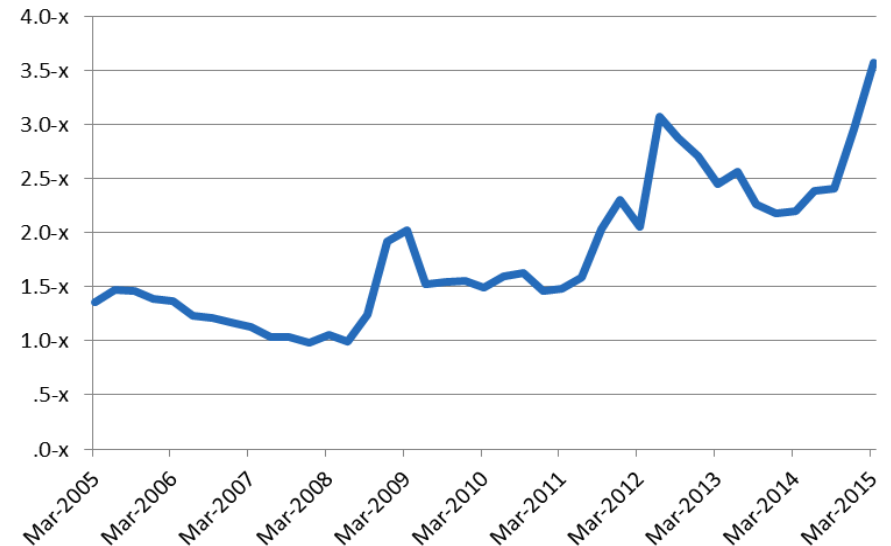
Property yield spreads to debt and fixed interest returns are highly compelling

Prime Property Yield Spread to Fixed Interest



- While yields have contracted, the spread between prime property yields to the cost of debt and fixed interest returns is the most attractive for a number of years.
- Returns on bonds and term deposits have fallen sharply at the start of 2015 with swap markets currently pricing the cash rate at 1.80% by the year's end.

Prime Property Yield as Multiple of 5yr Bond Rate



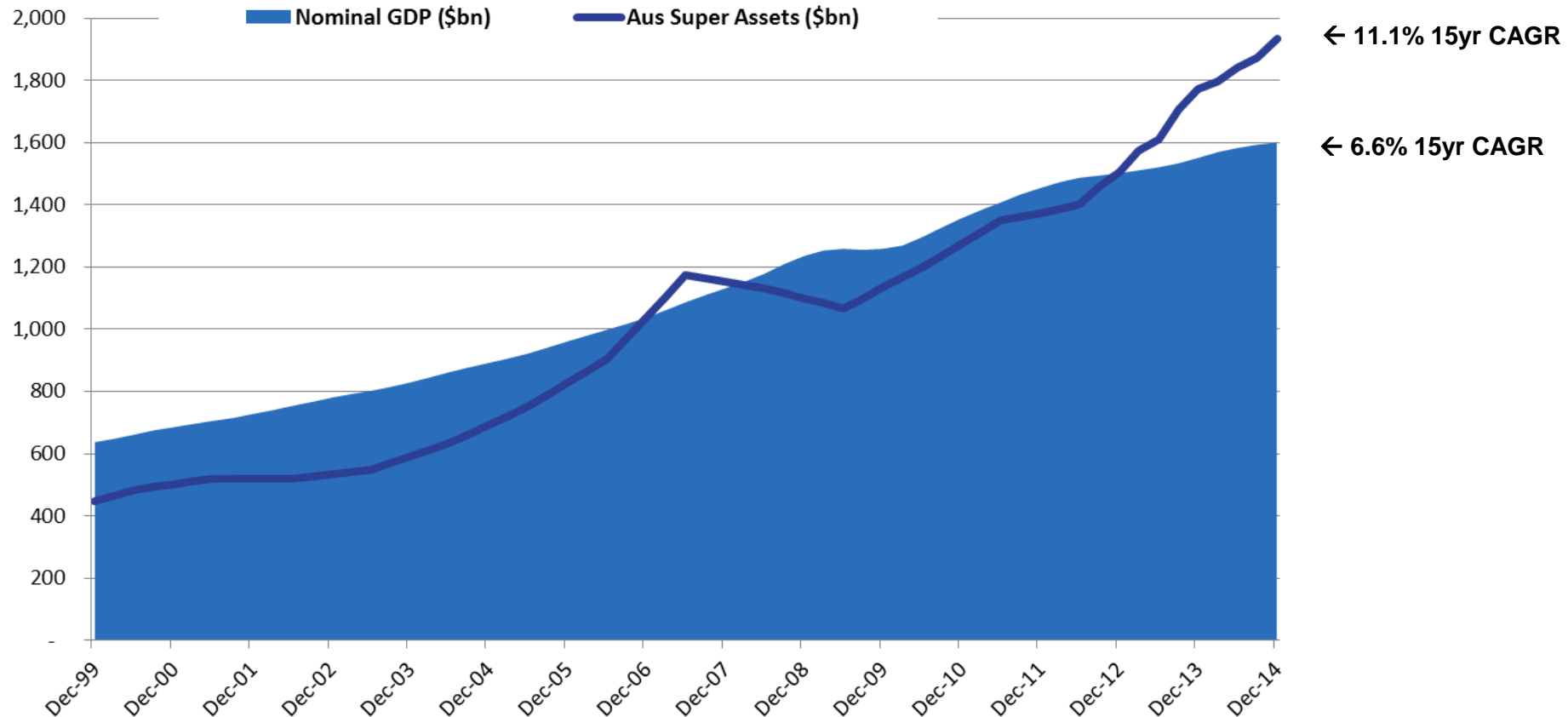
- The average prime property yield represents an income return 3.6 times that provided by a 5yr Government bond (1.98% as at 31 March 2015).
- This is the highest multiple on record and more than double the ten year average of 1.8 times.

Source: RBA, Westpac, JLL, Charter Hall

Property capital drivers

Australian superannuation growth vs Australian GDP

- The combined assets of Australian Superannuation funds now exceed \$1.9 trillion, growing by \$429b in the past two years. This is more than four times the growth evident in nominal GDP and almost double the size of Australia's entire commercial property sector.
- No respondents to AMP's latest institutional investor intentions survey currently plan to reduce their exposure to direct property.



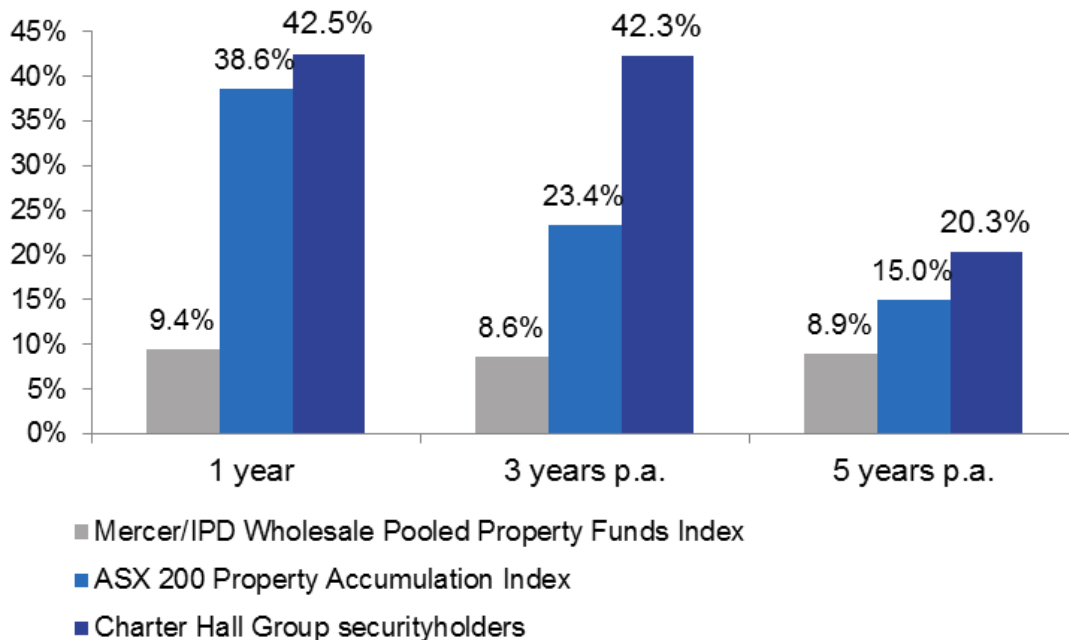
Source: APRA, ABS, Charter Hall

Total securityholder returns

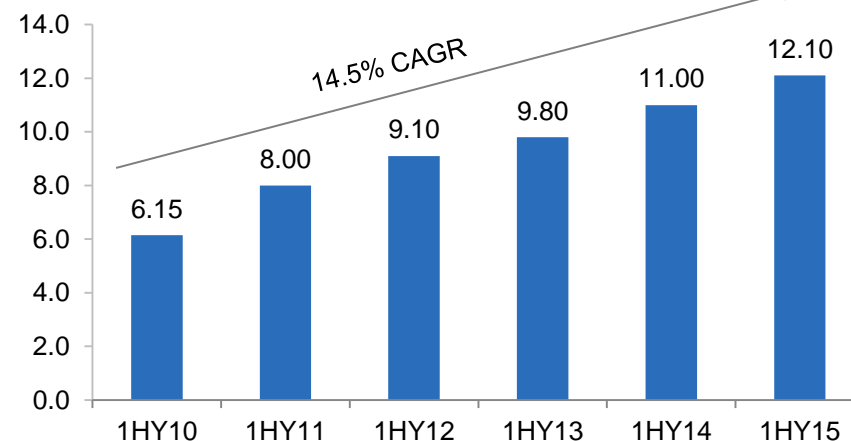
Strong performance

- Total securityholder return for 1 year to 31 Mar 2015: 42.5%
- Best performance in A-REIT 200 index over past 3 years (42.3% p.a) and 5 years (20.3% p.a.)¹

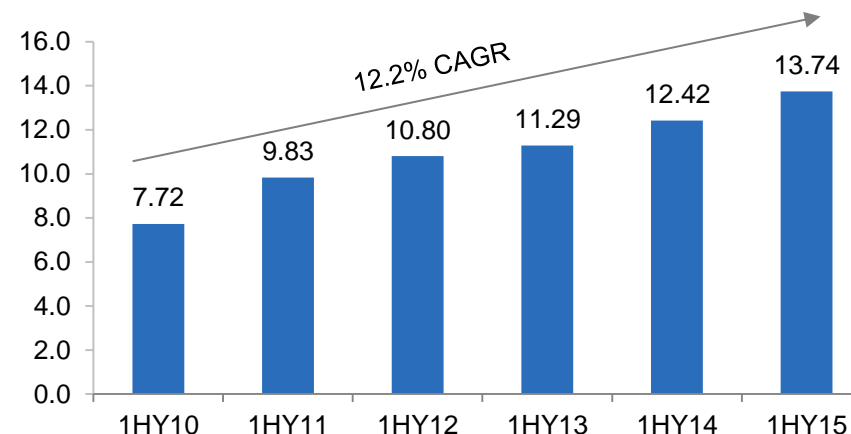
**Total performance over 1, 3 and 5 years (% pa)
to 31 Mar 2015¹**



Distribution per security growth



Operating earnings per security growth²



1. Source: IPD, UBS and S&P/ASX

2. Operating earnings per security prior to and including 1HY13 restated to include non-cash security based benefits expense

FY15 outlook and earnings guidance

Outlook and guidance

As advised at Charter Hall Group's 1HY15 financial results our guidance remains unchanged as follows:

- Absent unexpected events, our FY15 guidance is 7-9% growth on FY14 operating earnings per security
- The distribution payout ratio is expected to be between 85% and 95% of operating earnings per security



Further information

David Harrison

Joint Managing Director

+61 2 8651 9142

david.harrison@charterhall.com.au

David Southon

Joint Managing Director

+61 2 8651 9143

david.southon@charterhall.com.au

Paul Altschwager

Chief Financial Officer

+61 2 8651 9242

paul.altschwager@charterhall.com.au

Nick Kelly

Head of Investor Relations

+61 2 8651 9235

nick.kelly@charterhall.com.au

About Charter Hall Group:

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. As at 31 December 2014 Charter Hall had \$12.7 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.

Disclaimer

This presentation has been prepared by Charter Hall Group (being Charter Hall Limited (ABN 57 113 531 150) and Charter Hall Funds Management Limited (ABN 31 082 991 786) (AFSL 262861) as the responsible entity for Charter Hall Property Trust (ARSN 113 339 147)) (the “Group”). It is to be read in conjunction with the Charter Hall Interim Financial Report filed with the Australian Securities Exchange on 25 February 2015.

NO LIABILITY

The information contained in this presentation has been prepared by the Group in good faith. No representation or warranty, express or implied, is made as to the accuracy, adequacy, reliability or completeness of any statements, estimates, opinions or other information contained in this presentation, any of which may change without notice. This includes, without limitation, any historical financial information and any estimates and projections and other financial information derived from them (including any forward-looking statement). Nothing contained in this presentation is, or may be relied upon, as a promise or representation, whether as to the past or the future.

This presentation contains statements that constitute “forward looking statements”. Examples of these forward looking statements include, but are not limited to, statements of plans, objectives or goals and statements of assumptions underlying those statements. Words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “continue”, “probability”, “risk” and other similar words are intended to identify forward looking statements but are not the exclusive means of identifying those statements. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that such predictions, forecasts, projections and other forward looking statements will not be achieved. A number of important factors could cause the Group’s actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements. As such, undue influence should not be placed on any forward looking statement.

To the maximum extent permitted by law, the Group (including their respective unitholders, shareholders, directors, officers, employees, affiliates and advisers) disclaim and exclude all liability for any loss or damage suffered or incurred by any person as a result of their reliance on the information contained in this presentation or any errors in or omissions from this presentation. To the maximum extent permitted by law, no party nor any other person accepts any other liability, including without limitation, any liability arising from fault, negligence or lack of care, for any loss or damage arising from the use of this presentation or its contents or otherwise in connection with it.

All information here in is current as at 31 December 2014 unless otherwise stated, and all references to dollars (\$) or A\$ are Australian Dollars unless otherwise stated.

