

ASX Release

Charter Hall and HOSTPLUS acquire \$603m investment portfolio leased for 20 years to Woolworths subsidiary ALH

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Charter Hall Group (ASX:CHC) has created a new wholesale partnership with **HOSTPLUS** to acquire a \$603 million portfolio of properties from ALH Group (ALH), subject to initial lease terms of 20 years plus options, reflecting an initial yield of 6.8%. The triple net lease structure and uncapped annual Australian CPI rental increases from the leading retail liquor and pub operator, provides an attractive investment proposition to both Charter Hall and its investment partner, the \$15 billion Australian superannuation fund **HOSTPLUS**.

The new Charter Hall managed partnership, to be known as the Long WALE Investment Partnership (LWIP), has committed equity of \$302 million which, together with a \$340 million non recourse debt facility from a syndicate of two Australian banks, will fund the \$603 million¹ acquisition due to complete at the start of October 2014. Charter Hall and **HOSTPLUS** have each committed to an initial 50% or \$151 million equity investment to LWIP.

The ALH portfolio comprises 54 high quality hospitality assets, 46 of which also include a Dan Murphy's and/or BWS retail tenancy, which are predominately located across Australian metropolitan areas. The portfolio has an initial lease term of 20 years, with Charter Hall estimating approximately 26%² of the net rent is derived from the Woolworths' owned retail liquor businesses, Dan Murphy's and BWS. ALH is the market leader in the pub sector with 329 venues throughout Australia and is owned 75% by Woolworths Limited and 25% by the Mathieson Group.

Dan Murphy's tenancies provide a Base rental plus an annual turnover rent provision equivalent to 2% of sales turnover exceeding the Base Year sales turnover, with a five yearly Base rent review to the average of the preceding three years total net rent. The remaining leased tenancies provide for net rental income to grow in line with Australian CPI increases.

The acquisition is consistent with Charter Hall's strategy of reweighting its portfolio toward assets with long leases to strong credit quality tenants with leading market positions and strong cash flow generating business models.

David Harrison, Charter Hall Joint Managing Director, said: "Charter Hall's entry into the hospitality sector and the growth of its retail portfolio through the Dan Murphy's and BWS retail liquor assets, provides the Group with exposure to a high quality CPI hedged resilient rental income cash flow, generated from a high calibre tenant that leads both the retail liquor and pub hospitality sectors.

"The acquisition further strengthens Charter Hall's relationship with Woolworths' businesses, now Charter Hall's largest tenant customer, with the contribution to Charter Hall's Property Investment earnings from Woolworths' subsidiaries increasing to 22%," Mr Harrison added.

¹ \$603m represents the purchase price of the properties

² Dan Murphy's Rent represents 18% of initial base rent, with an additional ~8% derived from BWS operations which form part of ALH Hotel Rent



The acquisition will be funded from available cash and undrawn debt capacity and is expected to be earnings accretive to Charter Hall's current financial year operating earnings, with the Group upgrading its operating earnings growth guidance outlook for FY15 toward the top end of the 5-7% range provided on the 27 August 2014.

"We are pleased to have established a new partnership for this acquisition and look forward to working with **HOSTPLUS** as an investment partner and ALH and Dan Murphy's as tenant customers that lead this sector," said Mr Harrison.

HOSTPLUS CEO David Elia said: "HOSTPLUS is delighted to partner with Charter Hall and strengthen its position as a major participant in the Australian hospitality sector. ALH's position as a leading hospitality operator, combined with the long dated CPI linked triple net lease structure, provides attractive investment attributes that align with our primary objective of delivering stable returns to our members".

About Charter Hall

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.

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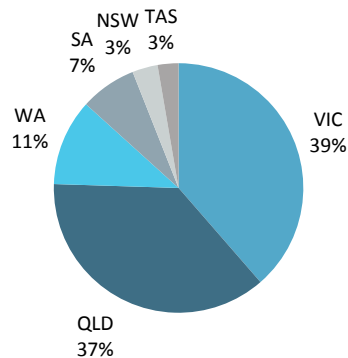
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Long WALE Investment Partnership (LWIP)

Property investment portfolio

Overview

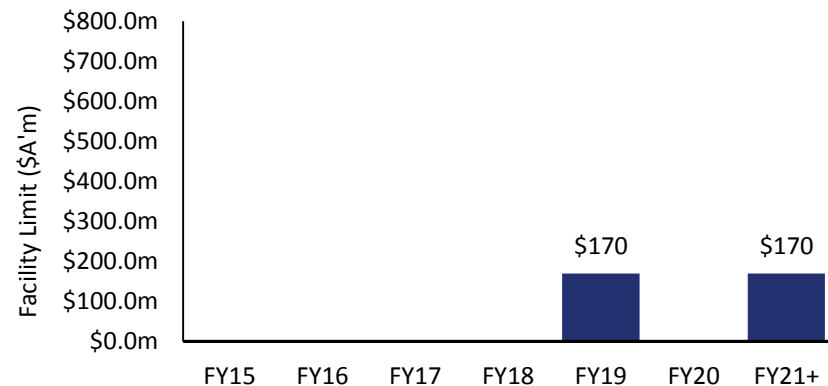
- Portfolio purchase price of \$603m
- The ALH portfolio comprises 54 high quality hospitality assets, 46 of which also include a Dan Murphy’s and/or BWS retail tenancy, which are predominately located across Australian metropolitan areas.
- The triple net lease structure is subject to initial lease terms of 20 years plus 5 x 10 year options and uncapped annual Australian CPI rental increases.
- Debt facility of \$340 million of non recourse debt facility with a 4 year and 6 year term provided by a syndicate of two Australian banks
- Charter Hall has committed an initial 50% or \$151 million equity investment to LWIP.



Portfolio characteristics

Portfolio characteristics	Key metrics
Gross property assets ¹	\$603m
Total debt	\$340m
Gearing (look-through)	55%
Number of assets	54
Occupancy	100%
Weighted average lease expiry	20 years
Weighted average cap rate	6.8 %
Weighted average rent review (next 12 months)	CPI
Charter Hall co-investment	\$151m / 50%

Debt Expiry Profile (by facility limit)



1. \$603m represents the purchase price of the properties

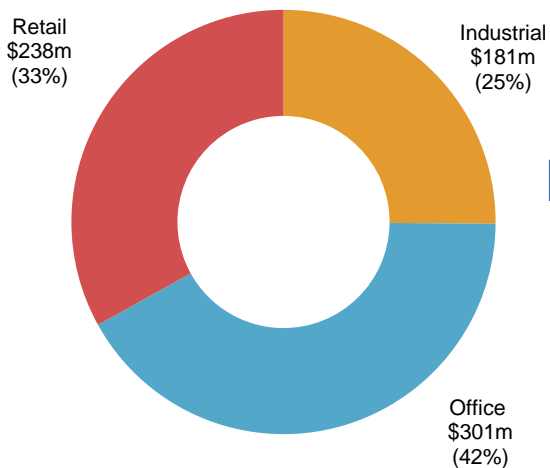
CHC Property Investments (CHPT) impact

Property Investments restated after the LWIP transaction

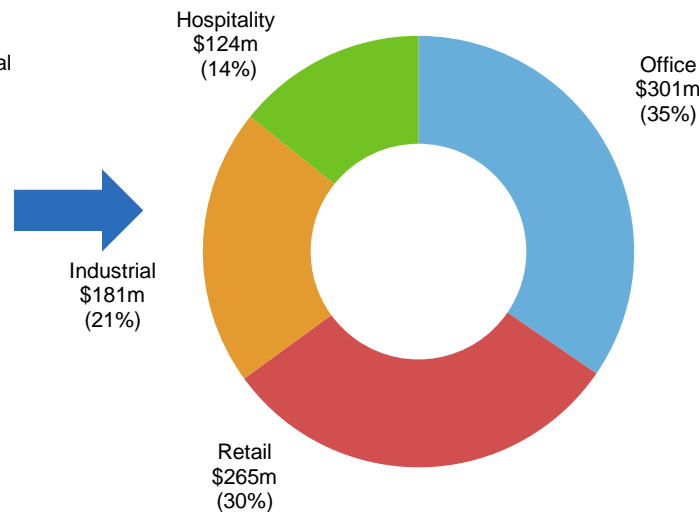
In line with its stated strategy, Charter Hall Group has focused on reweighting its Property Investment portfolio over the last 3 years toward a more diversified portfolio with greater security of income

- Diversified sector exposure away from office and increased interest in retail and industrial assets and new exposure to hospitality sector with market leading tenant in ALH
- Inclusive of the LWIP investment, Property Investments WALE has increased by 2.0 years to 9.6 years

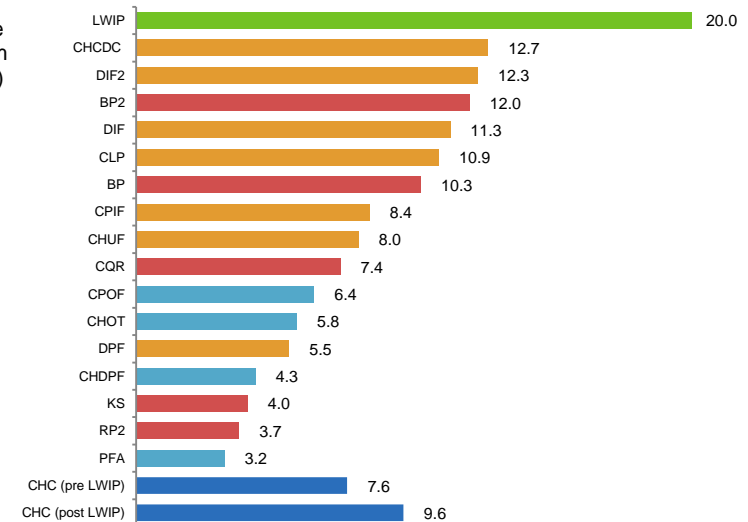
Property Investments by Sector
30 June 2014 Results Presentation



Property Investments by Sector
30 June 2014 Proforma after LWIP



Look through WALE by Fund
30 June 2014 Proforma after LWIP

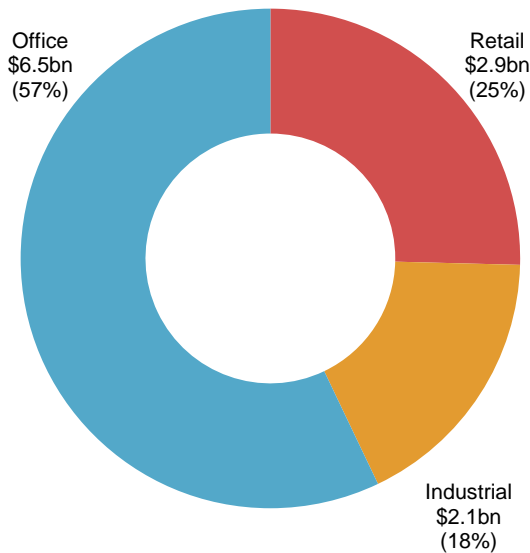


Diversified Group PFM portfolio

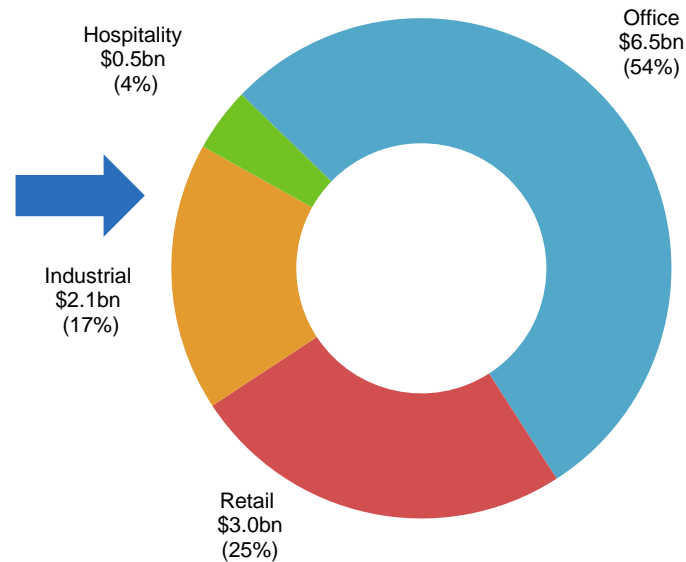
Property Funds Management post LWIP transaction

	Portfolio Size (\$bn)	No. of properties	No. of tenants	Gross income (\$m)	WALE (years)	Occupancy (%)	Average cap rate (%)
FY14 post LWIP	12.1	263	2,290	1,041	7.8	96.9	7.7
FY14	11.5	209	2,289	1,000	7.3	96.8	7.7

Asset type diversification
June 2014 Results Presentation



Asset type diversification
June 2014 Proforma post LWIP



WALE by sector
June 2014 Proforma post LWIP

