

## ASX Release

# Charter Hall Retail REIT contracts to acquire interest in Bateau Bay Square NSW

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Charter Hall  
Retail Management Limited  
ACN 069 709 468  
AFSL 246996

Responsible entity of  
Charter Hall Retail REIT  
ABN 34 357 213 849

Level 20, No.1 Martin Place  
Sydney NSW 2000  
GPO Box 2704 Sydney NSW 2001

T +61 2 8651 9000

F +61 2 9221 4655

[www.charterhall.com.au](http://www.charterhall.com.au)

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Charter Hall Retail REIT (ASX:CQR) (CQR or the REIT) today announced that it has executed a conditional contract to acquire a 47.5% interest in Charter Hall Retail Partnership No. 2 (CHRP2 or the Partnership) which owns Bateau Bay Square on the Central Coast of New South Wales (NSW). CHRP2 is a managed investment trust held between Charter Hall Group (ASX:CHC) (Charter Hall) and two institutional investors.

The REIT will acquire units in the Partnership from Charter Hall (42.5%) and one of the existing unitholders (5%), who will exit the Partnership following the successful completion of the contract. The transaction has been negotiated at arm's length and is on the same terms as recent dealings in the Partnership units.

Following settlement of the CQR acquisition, CHRP2 unitholders will comprise CQR (47.5%), Charter Hall (5%) and the remaining institutional investor, whose interest remains unchanged (47.5%). The transaction is strongly supported by the REIT's Independent Directors.

The REIT's acquisition of a 42.5% interest from Charter Hall in CHRP2 will be funded via a placement of 11,004,035 CQR units to Charter Hall, at a price of \$4.1167 per unit, which reflects the volume weighted average price (VWAP) of CQR units for the five days ending 23 October 2015.

The issuance of CQR units to Charter Hall is subject to a unitholder vote at the REIT's Unitholder Meeting, to be held on 17 November 2015. The notice of meeting and explanatory memorandum released to the ASX and despatched to unitholders today contains the details of the vote and other matters for consideration by unitholders.

The acquisition of the exiting unitholder's 5% interest will be funded from the REIT's existing debt facilities. Total consideration for the 47.5% interest will be approximately \$50.6 million, adjusted for working capital on acquisition. This reflects an implied property acquisition price of \$200 million<sup>1</sup>, a Partnership level debt facility drawn to \$87 million and other Partnership liabilities of \$6 million (including a \$3.5 million allowance for capital expenditure).

Scott Dundas, Fund Manager of the REIT explained the investment was in line with the REIT's disciplined investment strategy, focused on recycling capital from non-core properties into larger, higher growth potential properties.

"This investment into CHRP2 aligns with the REIT's investment strategy. Bateau Bay Square is strategically located on the Central Coast of NSW between Gosford and The Entrance and provides the dominant supermarket anchored offering within its trade area, with major tenants comprising Coles,

<sup>1</sup> Value of 100% interest



Aldi, Woolworths and Kmart. The transaction includes new 15 and 10 year leases to Coles and Kmart and a new 10 year lease to an extended Aldi tenancy.”

The property has been independently valued at \$200 million at a core cap rate of 6.75%, less an allowance for capital expenditure of \$3.5 million. On a fully leased basis the property is forecast to return 7.0% over the current financial year.

“Our focus on active asset management and our prudent capital management means we are well positioned to enhance the quality of the CQR portfolio through strategic acquisitions, divestments and redevelopments in the year ahead,” Mr Dundas added.

The property is 45% debt funded via an existing Partnership level debt facility with a facility limit of \$90 million with National Australia Bank (NAB) maturing in October 2017. Active discussions are taking place with NAB to extend the debt facility.

The transaction is neutral to FY16 operating earnings, with accretion forecast in FY17 on completion of the anchor tenant refurbishment and extension works. Look through gearing will increase by 0.6%, to 35.9%, well within the REIT’s target band of 30-40%. Net tangible assets are forecast to increase by 2 cents, to \$3.63 per unit and portfolio value will increase to \$2.4 billion<sup>2</sup>, with the REIT having 76 assets under management.

### About Bateau Bay Square

Purchased by the Partnership in 2012, Bateau Bay Square is a sub-regional shopping centre located on the Central Coast of NSW. The centre’s catchment has a forecast population growth of 1.4% per annum over the next 10 years and provides convenient retail and service offerings for the local community and significant tourist market.

Located on a 9.89ha site, the Gross Lettable Area (GLA) of the centre is approximately 29,062sqm, with total MAT from majors of \$140 million per annum. The centre is strongly anchored and continues to strengthen its position, offering a tenancy mix that includes three supermarkets: Woolworths, Coles and Aldi, plus a Kmart Discount Department Store, eighty specialty shops and 1,325 car spaces with potential for future development.

Mini Major Retailers such as Best and Less, Dick Smith and the Reject Shop complement the retail offering with specialty retailers providing a diverse and convenient shopping experience.

Coles and Kmart have each committed to complete significant mid-level store refurbishments and enter into new leases of 15 years and 10 years respectively. As part of the lease transactions CHRP2 will spend \$3.5 million on centre improvements, which has been deducted from the purchase price.

### Bateau Bay Property Statistics (as at 30 September 2015)

Valuation	\$200,000,000
Occupancy	97.5%
Weighted average lease expiry (WALE)	5.0 years <sup>3</sup>
Centre moving annual turnover (MAT)	\$224.0m
Total gross lettable area (GLA)	29,062sqm
No of specialty tenancies (excluding ATMs and Kiosks)	80
Specialty sales per sqm	\$8,805
Average specialty occupancy cost	14.1%

<sup>2</sup> All metrics post Brickworks and Goulburn and Katherine acquisition

<sup>3</sup> Adjusted to reflect new Coles, Kmart and Aldi leases



## 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 24 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$14.5 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. For further information on Charter Hall Group and Charter Hall Retail REIT go to [www.charterhall.com.au](http://www.charterhall.com.au)

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For further information, please contact

**Scott Dundas**  
Fund Manager  
Charter Hall Retail REIT  
T +61 2 8651 9273  
[scott.dundas@charterhall.com.au](mailto:scott.dundas@charterhall.com.au)

For investor enquiries, please contact

**Nick Kelly**  
Head of Investor Relations  
Charter Hall  
T +61 2 8651 9235  
[nick.kelly@charterhall.com.au](mailto:nick.kelly@charterhall.com.au)

For media enquiries, please contact

**Angus Booth**  
Corporate Communications Manager  
Charter Hall  
T +61 2 8651 9223  
[angus.booth@charterhall.com.au](mailto:angus.booth@charterhall.com.au)

**Philip Schretzmeyer**

Deputy Fund Manager  
Charter Hall Retail REIT  
T +61 2 8651 9246  
[philip.schretzmeyer@charterhall.com.au](mailto:philip.schretzmeyer@charterhall.com.au)

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