

ASX Release

Charter Hall Retail REIT Extending the bp Partnership NZ Portfolio Acquisition

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Charter Hall Retail Management Limited, as responsible entity of Charter Hall Retail REIT (ASX:CQR) today announces an extension of its partnership with bp, with an investment in a Charter Hall managed fund that has contracted to acquire a 49% interest in a portfolio of 70 Long WALE triple net leased (NNN) Convenience Retail properties leased to bp in New Zealand.

The portfolio, consisting of the majority of bp's owned Convenience Retail properties in New Zealand, has been acquired in a sale and leaseback transaction and will have a 20-year WALE at acquisition with initial lease terms of properties in the portfolio ranging from 18 to 22 years with annual CPI rent increases (plus up to 0.5% in the first five years¹).

The portfolio is geographically diversified with 78% of the portfolio in metropolitan locations and 72% located in NZ's top 3 cities.

The Charter Hall managed fund will be owned 50% by Charter Hall Long WALE REIT (ASX:CLW) and 50% by Charter Hall Retail REIT and there will be no debt facility at the JV fund level. The acquisition price of CLW and CQR's combined 49% interest in the portfolio is approximately NZD \$262 million and represents a 6.25% initial yield.

Charter Hall Retail REIT's funding commitment for its 50% interest is approximately NZD \$130.8 million. CQR will utilise available borrowing capacity denominated in NZD to fund the transaction.

Charter Hall Retail CEO, Greg Chubb said: "We are delighted to further our existing relationship with bp and partner with them in New Zealand. This investment is consistent with our strategy of partnering with major convenience retailers to meet their property needs and provide CQR unitholders with a resilient and growing income stream."

The pro-forma impact of today's acquisition is that bp will increase from 9.1% to 12.5% of CQR's portfolio income². The total portfolio WALE increases from 7.4 years² to 7.9 years and major tenants WALE from 11.7years² to 12.2 years.

Pro-forma look-through gearing post today's acquisition will be 34.7% and within the 30-40% policy range.

Completion of the transaction is subject to approval by the New Zealand Overseas Investment Office.

¹ In the first five years if NZ CPI <= 2.0%, rent escalation is NZ CPI (0% floor) + 0.5%; if NZ CPI > 2.0% and < 2.5%, rent escalation is 2.5%; and if NZ CPI >= 2.5%, rent escalation is NZ CPI (4% cap)

² 30 June 2020 proforma for divestment of West Ryde Marketplace and acquisition of Coles Adelaide Distribution Centre in July 2020

FY21 Earnings Guidance

Once completed, today's announced transaction is expected to have a positive impact on CQR's earnings.

Notwithstanding this, in light of current COVID-19 uncertainty and associated impacts, CQR is not able to provide FY21 earnings guidance.

Distributions will continue to be paid with reference to operating cashflow.

Announcement authorised by the Board

Charter Hall Retail REIT (ASX: CQR)

Charter Hall Retail REIT is the leading owner and manager of property for convenience retailers.

Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC). With over 30 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – office, retail, industrial & logistics and social infrastructure. Operating with prudence, Charter Hall Group as Manager of CQR has carefully curated a \$41.8 billion diverse portfolio of over 1300 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our \$6.8 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.

For further enquiries, please contact

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