

## ASX Release

# Charter Hall Long WALE REIT – Acquisitions and FY22 Operating EPS Guidance Upgrade

1 July 2021

Charter Hall WALE Limited  
ACN 610 772 202  
AFSL 486721

Responsible Entity of Charter  
Hall Long WALE REIT

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)

Charter Hall WALE Limited as responsible entity of the Charter Hall Long WALE REIT (ASX:CLW) (**CLW** or the **REIT**) is pleased to announce that it:

- has entered into agreements to acquire interests in three properties for a total purchase price of approximately \$267 million; and
- upgrades its previous FY22 Operating EPS guidance of growth of no less than 2.75% to growth of no less than 4.5% over forecast FY21 Operating EPS of 29.2 cents per security<sup>1</sup>.

### Acquisitions

The REIT has entered into agreements to acquire interests in the following properties:

- a 33.3% tenants in common title interest in the iconic Myer Bourke Street Mall property in Melbourne CBD for \$135.2 million;
- a 100% interest in a distribution centre leased to Simon National Carriers in Carole Park, Brisbane for \$83.1 million; and
- a 100% interest in a Bunnings property in Baldivis, Perth for \$49.0 million.

(together, the **Acquisitions**). The Acquisitions are expected to settle in July 2021.

Further detail on the Acquisitions is included in Appendix A to this announcement.

Avi Anger, Fund Manager of CLW said: “The Acquisitions are strategically located, high quality industrial and logistics and long WALE retail properties that are leased to national tenants. This includes the Myer Bourke Street Mall property in Melbourne, which together with CLW’s existing investment in the David Jones Castlereagh Street store in Sydney, represent two of Australia’s most iconic CBD buildings.

The Acquisitions feature an attractive passing yield of 5.1%, long WALE of 11.2 years and favourable rent review structures and demonstrate our focus on securing long leased assets with strong underlying property fundamentals. The Acquisitions are expected to be materially accretive to prior FY22 Operating EPS growth guidance. As a result, we have upgraded FY22 Operating EPS guidance to growth of no less than 4.5% over forecast FY21 OEPS, continuing our track record of delivering strong earnings and distribution growth for our investors.”

<sup>1</sup> Based on current information and barring any unforeseen events

## Portfolio impact

	Pre-Acquisitions <sup>2</sup>	Acquisitions	Post-Acquisitions
Number of properties	464	3	467
Property valuation	\$5,279 million	\$267 million	\$5,547 million
Occupancy	97.7%	100.0%	97.8%
WALE	13.4 years	11.2 years	13.2 years
WARR <sup>3</sup>	2.3%	2.3%	2.3%
Rent review type weighting: Fixed / CPI-linked	61% / 39%	41% / 59%	60% / 40%

Following settlement of the Acquisitions and the property revaluations announced on 7 June 2021, the REIT's unaudited pro-forma NTA per security is expected to be approximately \$5.21.<sup>4</sup>

## Funding

The Acquisitions will be funded from the REIT's existing debt capacity, including the proceeds of the recently completed \$200 million issuance of 8.5 year Australian dollar medium term notes. The REIT's pro-forma balance sheet and look-through gearing including the Acquisitions is expected to be approximately 31.9% and 39.9% respectively.<sup>4</sup>

## FY22 Operating EPS upgrade

Including the impact of the Acquisitions, and based on information currently available and barring any unforeseen events, CLW is pleased to:

- reaffirm its FY21 Operating EPS guidance of 29.2 cents per security, representing growth of 3.2% on FY20 Operating EPS; and
- upgrade its FY22 Operating EPS guidance to growth of no less than 4.5% on forecast FY21 Operating EPS of 29.2 cents per security.

## Announcement Authorised by the Board

### Charter Hall Long WALE REIT (ASX: CLW)

Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust (REIT) listed on the ASX and investing in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases.

Charter Hall Long WALE REIT is managed by Charter Hall Group (ASX:CHC). With over 30 years' experience in property investment and funds management, Charter Hall Group is 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, Industrial & Logistics, Retail and Social Infrastructure.

Operating with prudence, Charter Hall Group have curated a diverse \$52 billion portfolio of 1,400 high quality, long leased properties. With partnership at the heart of our approach, we're creating places that help grow communities; turning them into the best they can be and unlocking hidden value. Taking a long-term view, our \$7 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  
**Avi Anger**  
Fund Manager  
Charter Hall Long WALE REIT  
T +61 2 8651 9111  
avi.anger@charterhall.com.au

For investor enquiries, please contact  
**Philip Cheetham**  
Head of Listed Investor Relations  
Charter Hall  
T +61 403 839 155  
philip.cheetham@charterhall.com.au

For media enquiries, please contact  
**Megan Moore**  
Communications and Media Manager  
Charter Hall  
T + 61 2 8651 9953  
megan.moore@charterhall.com.au

<sup>2</sup> As at 30 June 2021

<sup>3</sup> CPI is assumed at 1% on average over the forecast period

<sup>4</sup> As at 31 December 2020, pro-forma adjusted for previously announced acquisitions (refer Appendix A of Acquisitions and Equity Raising Presentation released to ASX on 18 May 2021), the REIT's June 2021 property revaluations released to ASX on 7 June 2021 and the Acquisitions.





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Long WALE REIT

## Appendix A

Acquisitions and FY22 Operating  
EPS Guidance Upgrade

1 July 2021



# Acquisitions rationale

High quality, strategically located acquisitions delivering material earnings accretion for CLW

## 1 Diversified acquisition portfolio with strong fundamentals

- ✓ High quality portfolio of Industrial and Logistics and Long WALE Retail properties leased to national tenants
- ✓ Myer Bourke Street Mall property is a rare 5,680m<sup>2</sup> freehold site in Melbourne's core retail and commercial precinct
- ✓ Carole Park distribution centre is a modern property in a prime, supply constrained Eastern Seaboard logistics market
- ✓ Bunnings Baldivis is a modern, large format Bunnings store that serves an established residential suburb south of Perth

## 3 Strong balance sheet with additional investment capacity

- ✓ Balance sheet gearing maintained within the target range of 25 – 35%
- ✓ Weighted average debt maturity of 5.6 years, with staggered maturities over a seven year period from FY24 to FY31
- ✓ Approximately \$110 million undrawn investment capacity, with diversified funding sources and Moody's Baa1 issuer rating

## 2 Potential for long term income and capital growth

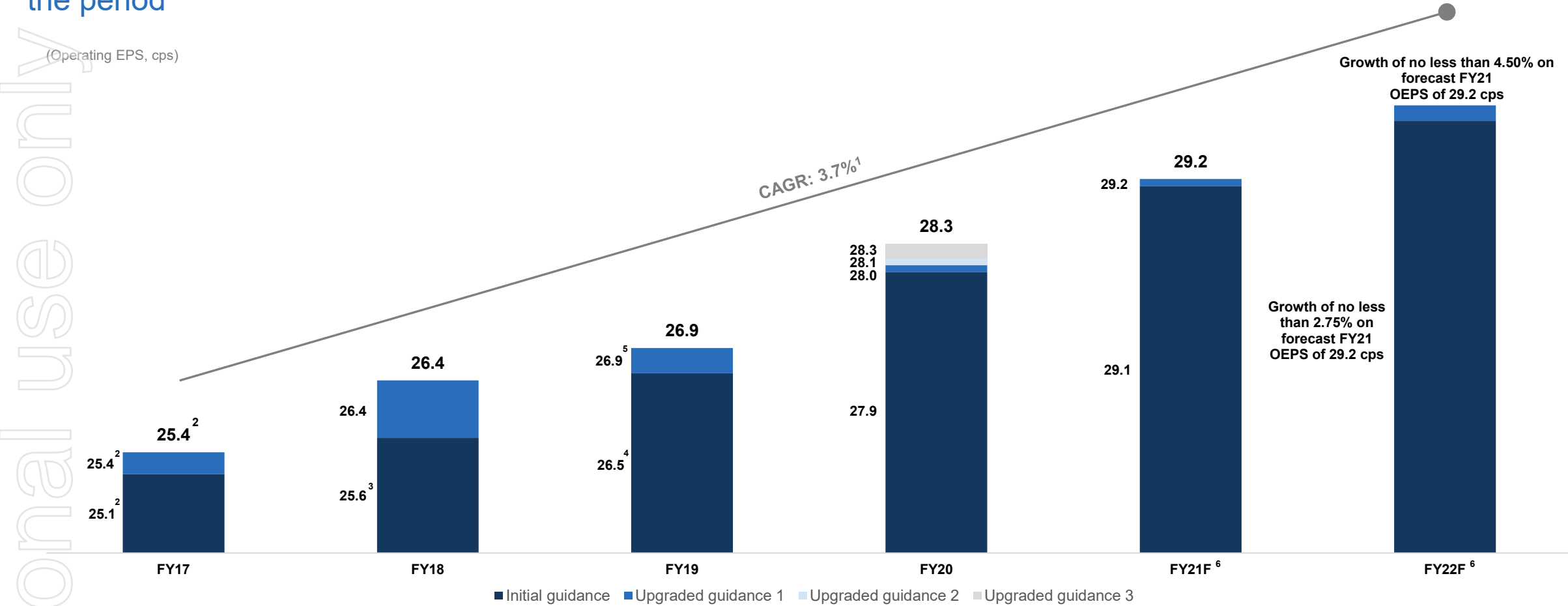
- ✓ Acquisitions passing yield of 5.1% and WARR of 2.3%<sup>1</sup>, with a balance of fixed and CPI rent reviews
- ✓ Long WALE of 11.2 years, providing security and continuity of income
- ✓ Myer Bourke Street Mall is being acquired for a capital value of \$10,157/m<sup>2</sup>, below underlying improved value and with net rent of approximately \$630/m<sup>2</sup>, providing reversion potential

## 4 Attractive financial impact

- ✓ FY22 Operating EPS guidance upgraded to growth of no less than 4.50% on previously upgraded forecast FY21 Operating EPS of 29.2 cents per security
- ✓ Material upgrade to previous guidance of no less than 2.75% growth
- ✓ Continues CLW's track record of delivering consistent earnings growth, with expected compound OEPS growth since IPO of 3.7% per annum (refer slide 3)

# Operating EPS growth track record

Forecast EPS growth of 3.7% p.a. since IPO, with a track record of delivering multiple guidance upgrades over the period



1. Reflects annualised FY17 to FY22F. Based on current information and barring any unforeseen events  
2. Reflects annualised EPS for the period from IPO to 30 June 2017  
3. Reflects annualised EPS for 1H FY18 based on PDS forecast of 12.8  
4. Reflects mid-point of guidance range (26.4–26.6cps)  
5. Reflects mid-point of guidance range (26.8–26.9cps), subsequently revised to 26.9cps  
6. Based on current information and barring any unforeseen events

# Acquisition overview – Myer Melbourne

Unique 5,680m<sup>2</sup> freehold site located in Melbourne’s premier retail and commercial precinct

## Property details

Address	314-336 Bourke Street & 315-321 Little Bourke Street, Melbourne
Property type	Long WALE Retail
Ownership interest	33.3%
Title	Freehold and Leasehold
Purchase price	\$135.2 million
Initial yield	6.0%
Annual rent review	CPI + 1.0%
Tenant	Myer
Occupancy	100%
WALE as at Jun-21	10.5 years
Options	4 x 10 years
GLA	39,923m <sup>2</sup>



## Property overview

- Strategic property with 61m of prime Bourke Street Mall frontage, one of Australia’s busiest pedestrian malls
- Located in the heart of Melbourne’s CBD, with direct access to the adjacent Emporium Melbourne and excellent connectivity to transport infrastructure
- Unique nine story property providing 39,923m<sup>2</sup> of GLA with restored heritage façade, expansive open floorplates, high ceilings and central atrium with excellent natural light
- Global award-winning refurbishment in excess of \$400 million completed in 2010
- 100% leased to Myer Pty Ltd and guaranteed by ASX-listed Myer Holdings Ltd on a net lease expiring Dec-2031 (10.5 years remaining)
- Purchase price reflects an initial yield of 6.0% and a net rent of approximately \$630/m<sup>2</sup>
- CLW is acquiring a 33.3% direct interest in the property. Separately, Abacus Property Group has announced it will also acquire a 33.3% interest. Following both transactions, the property will be owned in equal shares by CLW, Abacus and Vicinity Centres (current 33.3% owner and manager)

# Acquisition overview – Simon National Carriers Distribution Centre Carole Park, Brisbane

Prime industrial property underpinned by a 15-year lease to national logistics business Simon National Carriers

### Property details

Address	29 Ron Boyle Crescent, Carole Park, Brisbane
Property type	Industrial
Ownership interest	100%
Title	Freehold
Purchase price	\$83.1 million
Initial yield	4.1%
Annual rent review	Greater of 3.0% or CPI
Tenant	Simon National Carriers
Occupancy	100%
WALE as at Jun-21	15.0 years
Options	1 x 5 years
NLA	30,605m <sup>2</sup>



### Property overview

- Large 48,800m<sup>2</sup> site located in Brisbane’s core industrial and logistics precinct of Carole Park
- Strategic location with direct access to the Ipswich and Logan Motorways, providing excellent connectivity to Brisbane’s logistics gateways
- 30,605m<sup>2</sup> high quality purpose built logistics facility
- Property is leased to Simon National Carriers, with a new 15-year net lease and attractive annual rent reviews equal to the greater of 3.0% or CPI
- Simon National Carriers is one of Australia’s largest privately owned national logistics businesses and has been in operation for more than 45 years

# Acquisition overview – Bunnings Baldivis, Perth

Modern large format retail property anchored by a Bunnings warehouse

Property details	
Address	1400 Safety Bay Road, Baldivis, Perth
Property type	Long WALE Retail
Ownership interest	100%
Title	Freehold
Purchase price	\$49.0 million
Initial yield	4.5%
Annual rent review	2.6%
Tenants	Bunnings, PETstock
Occupancy	100%
WALE as at Jun-21	8.2 years
Options	8 x 6 years
GLA	15,443m <sup>2</sup>



## Property overview

- 34,000m<sup>2</sup> freehold site located in Baldivis, an established residential suburb approximately 45km south of Perth
- Prominent site with direct access to Perth via the Kwinana Freeway
- Property includes a modern, large format Bunnings warehouse and a freestanding building leased to PETstock, with total GLA of 15,443m<sup>2</sup> and car parking for 364 vehicles
- Bunnings lease (14,508m<sup>2</sup>) commenced in 2017 and expires in March 2030 (8.7 years remaining), with fixed annual rent reviews of 2.5%
- PETstock lease (935m<sup>2</sup>) commenced in 2017 and expires in July 2025 (4.0 years remaining), with fixed annual rent reviews of 3.0%
- PETstock is a leading Australian supplier of pet care products and services



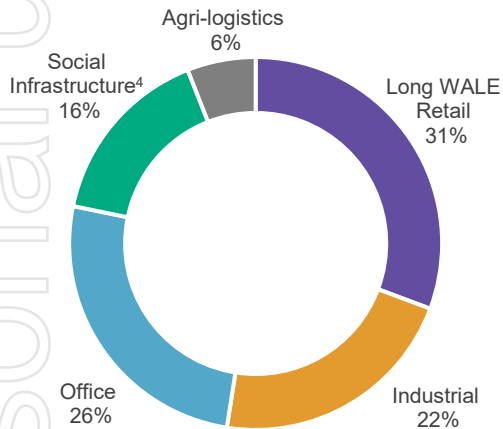
# CLW portfolio impact

Australia’s largest and most diversified long WALE REIT

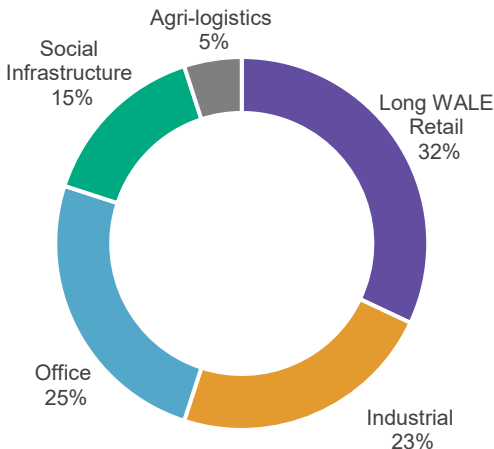
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## Portfolio by sector<sup>3</sup>

Pre-Acquisition<sup>1</sup>

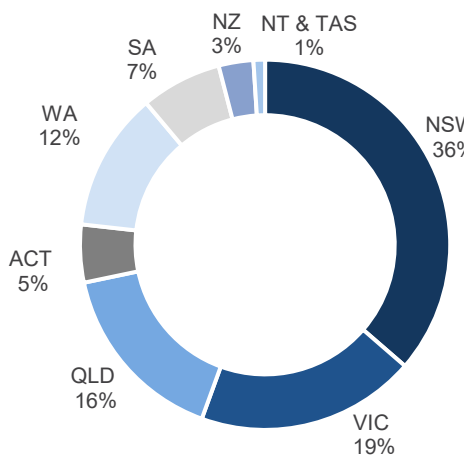


Post-Acquisition

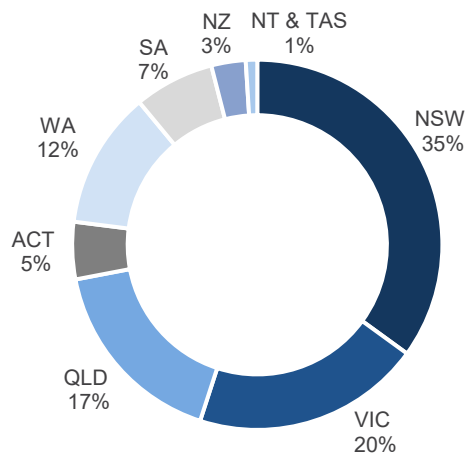


## Portfolio by geography<sup>3</sup>

Pre-Acquisition<sup>1</sup>



Post-Acquisition



1. As at 30 June 2021  
2. CPI is assumed at 1% over the forecast period  
3. Sector and geographic exposure weighted by property value (REIT ownership test). Total may not add to 100% due to rounding  
4. Reflects CLW’s ownership in the Telco Exchanges, the Brisbane Bus Terminal and the Red Cross Building in Sydney  
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# Diversified high quality portfolio

Increases CLW’s exposure to major national tenants

## Major tenants<sup>1</sup>

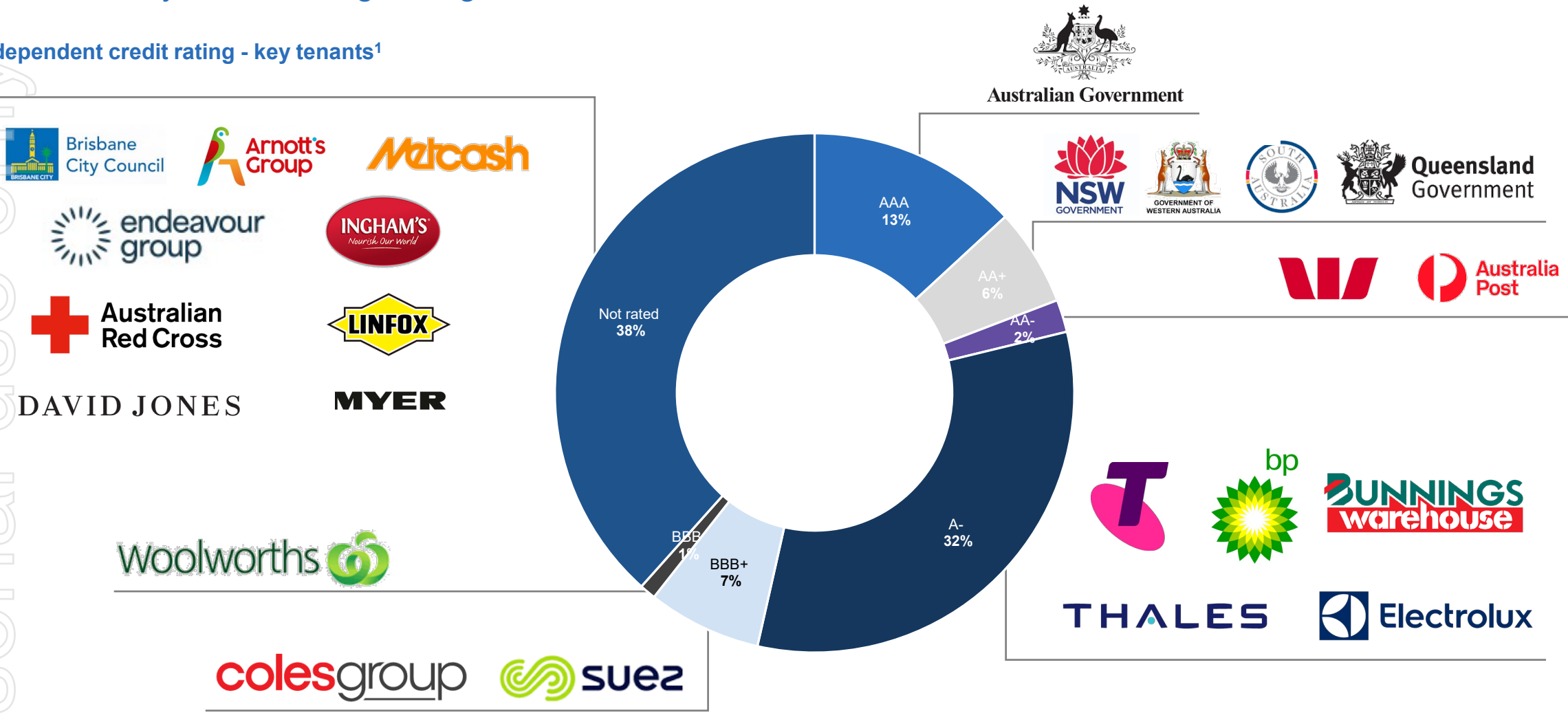
	20%		5%
	15%		3%
	11%		3%
	9%		3%
	6%		2%
	5%		2%
	5%		2%

<sup>1</sup> Weighted by net passing income (REIT ownership interest)  
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# Diversified high quality portfolio (cont.)

Predominantly investment grade, government or national tenants

Independent credit rating - key tenants<sup>1</sup>



1. Weighted by net passing income (REIT ownership interest). Credit ratings refer to published Standard & Poor's long-term issuer ratings (or equivalent Standard & Poor's rating based on published Moody's rating) and relate to the parent entity of the tenant entity. In some instances the parent entity does not guarantee the tenant entity. Total may not add to 100% due to rounding

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# Tenant resilience

## Resilient and defensive sector exposures

### Portfolio income exposure to key defensive tenant industries<sup>1,2</sup>

#### Government (20%)



The Glasshouse, Macquarie Park, Sydney

#### Telecommunications (15%)



242 Exhibition Street, Melbourne

#### Grocery & distribution (14%)



Woolworths Distribution Centre, Dandenong, Melbourne

#### Fuel & convenience (12%)



bp Forestville, Sydney

#### Pubs & bottle shops (10%)



Kawana Waters Hotel, QLD

#### Food manufacturing (9%)



Arnott's Huntingwood, Sydney

#### Waste & recycling management (2%)



SUEZ Artarmon, Sydney

#### Other<sup>3</sup> (18%)

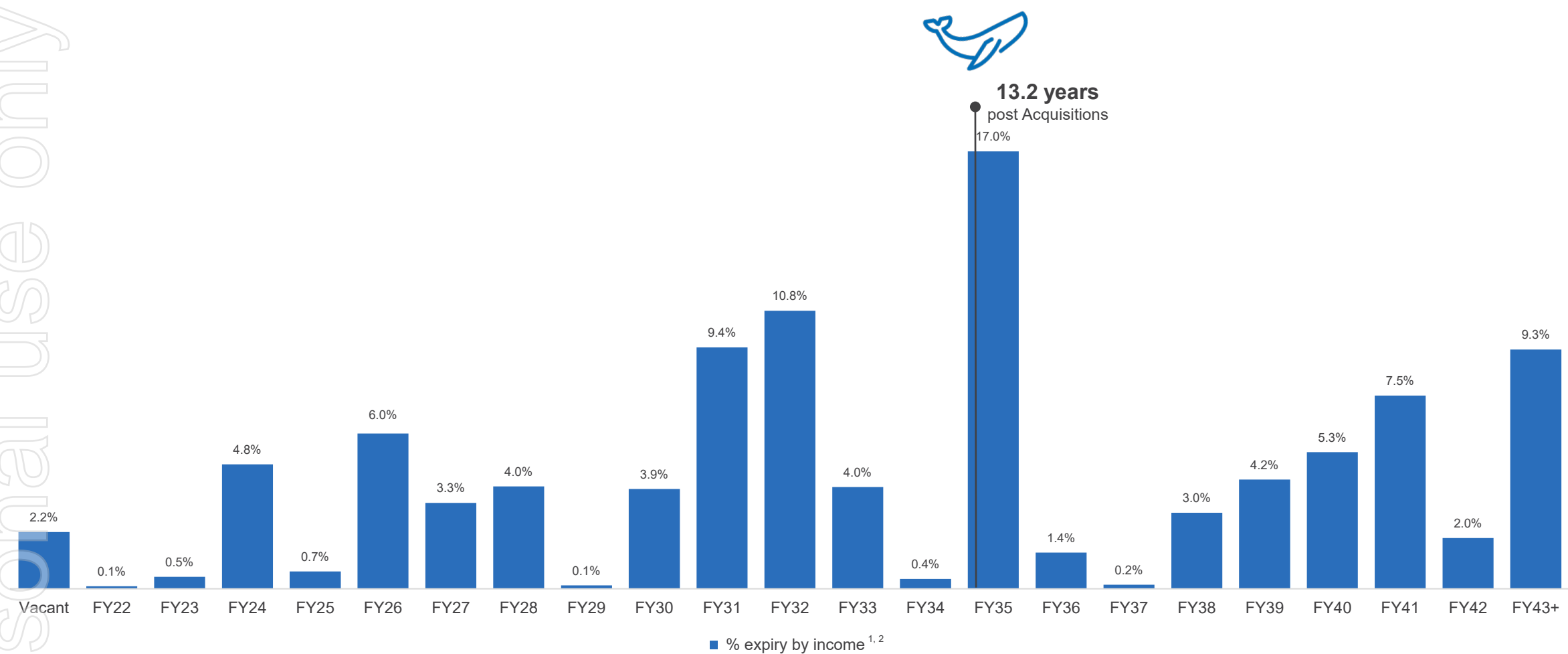


Bunnings, South Mackay

<sup>1</sup> Weighted by net passing income (REIT ownership interest) post Acquisitions  
<sup>2</sup> Total may not add to 100% due to rounding  
<sup>3</sup> Includes non-discretionary retail, banking and financial services and defence services  
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# Lease expiry profile

Long Portfolio WALE of 13.2 years post Acquisitions



1. Weighted by net passing income (REIT ownership interest)  
2. Totals may not add due to rounding  
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#### Sydney Head Office

Level 20, No.1 Martin Place  
Sydney NSW 2000

T: +61 2 8651 9000

#### Melbourne

Level 23, 130 Lonsdale Street  
Melbourne VIC 3000

T: +61 3 9903 6100

#### Brisbane

Level 3, The Annex  
275 George Street  
Brisbane QLD 4000

T: +61 7 3228 2000

#### Perth

Level 5, St Georges Square  
225 St Georges Terrace  
Perth WA 6000

T: +61 8 9269 5900

#### Adelaide

Level 2, 80 Pirie Street  
Adelaide SA 5000

T: +61 8 8417 5900



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