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ASX Release

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CQE acquires $58.4 million of healthcare and childcare properties

1 November 2021

Charter Hall Social Infrastructure REIT (ASX:CQE) today announces the acquisition of a healthcare property located in Heidelberg, Victoria leased to a wholly owned subsidiary of ASX-listed Healius Limited (Healius) and two premium childcare assets located in south-east Queensland. The total purchase price of $58.4 million for the three assets reflects a passing yield of 4.4%.

Healthcare Property

The property is located at 456 Lower Heidelberg Road, Heidelberg, Victoria and comprises a two-storey building with NLA of 3,549 sqm and occupies a large commercially zoned corner site within the Heidelberg Activity Centre, approximately 11 km north-east of the Melbourne CBD.

The property is leased to a wholly owned subsidiary of ASX-listed Healius Limited (ASX:HLS), one of Australia's leading healthcare companies with a market capitalisation of approximately $3 billion, providing an expansive network of pathology laboratories, diagnostic imaging centres, day hospitals and IVF clinics.

The property provides accommodation for administration and support services including passive pathology and storage related to the adjoining laboratory. The lease to Healius has an unexpired term of 9.5 years and has fixed annual rent increases of 2.75%. The acquisition settled on 12 October 2021.

The Heidelberg Activity Centre is one of Victoria's largest medical precincts, with major hospitals including the Austin Hospital, Mercy Hospital for Women, Heidelberg Repatriation Hospital and Warringal Private Hospital all located in close proximity, as well as numerous specialist medical services.

The transaction was successfully brokered by Justin Dowers of Stonebridge Property Group.

Two Premium Childcare Properties

CQE has entered into agreements to acquire two existing premium childcare centres located in south-east Queensland. Together, these modern centres comprising over 300 licensed places are well located and have high occupancies. Following settlement, these centres will be leased to a well-regarded premium national operator on 15-year leases with fixed 3.25% increases. Settlement is expected to occur in December 2021.

The transaction was undertaken off-market together with an existing CQE tenant customer.

CQE will utilise available investment capacity which will result in CQE's pro-forma gearing increasing to approximately 27%[1] with remaining investment capacity of approximately $150 million[1].

Travis Butcher, Fund Manager of CQE commented: "Consistent with our broadened investment strategy of investing in diversified social infrastructure assets with long lease terms and strong tenant covenants, it is pleasing to add these high quality healthcare and childcare properties to the portfolio.

[1] As at 30 June 2021, adjusted to include the completion of the SA Emergency Command Centre, childcare development pipeline and the above acquisitions.

These acquisitions demonstrate the benefits of a broadened strategy which provides CQE with greater opportunities for investment in premium assets with strong property fundamentals. The addition of these assets results in CQE's gross assets exceeding $1.6 billion and continuing to be the largest listed social infrastructure property fund in Australia."

Increased Government Funding to Childcare

On 10 October 2021, the Federal Government announced that changes to the Child Care Subsidy (CCS) which were due to be implemented in July 2022 were being brought forward with the additional funding for families with two or more children commencing in March 2022 and the abolition of the CCS cap to occur in December 2021. It has been estimated by the Government that the additional funding is expected to benefit approximately 250,000 families, by an average of more than $2,200 a year. It has also been estimated that the additional subsidy will mean the equivalent of 40,000 parents are able to work an extra day per week, boosting the economy by up to $1.5 billion per year.

This positive announcement from the Government together with the critical funding support provided during the pandemic period underlines the importance of childcare to the economy and educational and learning benefits being provided.

Importantly, there has not been any structural change to the market as a result of COVID-19 with attendances for operators expected to rebound quickly as lockdown restrictions are eased in Sydney and Melbourne.

FY22 Forecast Distribution Guidance increased to 16.9 cpu

CQE is pleased to announce that based on information currently available, continued tenant performance and barring any unforeseen events or deterioration in the COVID-19 environment, the FY22 forecast distribution guidance has been increased from 16.7 cpu to 16.9 cpu, an increase of 7.6% from FY21. CQE will continue to pay quarterly distributions.

Announcement Authorised by the Board

Charter Hall Social Infrastructure REIT (ASX: CQE)

Charter Hall Social Infrastructure REIT is the largest Australian ASX-listed real estate investment trust (A-REIT) that invests in social infrastructure properties.

Charter Hall Social Infrastructure 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, Industrial & Logistics, Retail and Social Infrastructure.

Operating with prudence, we've curated a diverse $52.3 billion portfolio of 1,388 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 $8.8 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.

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