

ASX Release

CQR expands convenience long WALE retail strategy

3 April 2023

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
www.charterhall.com.au

Charter Hall Retail REIT (ASX:CQR) is pleased to announce it has invested in a convenience long WALE retail partnership with superannuation fund Hostplus via the acquisition of an initial 18% interest in the Long WALE Investment Partnership 2 (LWIP2). The equity investment is contemporaneous with the acquisition of two additional Endeavour leased assets by LWIP2.

LWIP2 is an existing Charter Hall partnership that now consists of eleven Endeavour Group leased retail assets, with six located in Queensland (32% of portfolio value), three in Victoria (48% of portfolio value) and two in South Australia (20% of portfolio value). The portfolio benefits from initial 15 year triple-net (NNN) leases, the majority of which having uncapped CPI annual rent escalations¹, whilst ten of the properties include Endeavour-branded off-premise bottle shops (three Dan Murphy's and seven BWS). This continued increased weighting to CPI linked rental growth provides CQR with further exposure to the convenience long WALE retail sector, while also expanding CQR's existing relationship with the \$12 billion market cap publicly listed Endeavour Group as a major tenant customer.

CQR has acquired its initial equity interest in the partnership for \$42 million with a forecast year one passing yield of greater than 4.7%². The transaction has been funded by reinvesting the sale proceeds from the disposal of Allentown Square, QLD, which was sold at book value.

Following the acquisition, Endeavour Group will be one of CQR's top ten tenants, representing 1.4% of portfolio income. In addition, the LWIP2 investment further increases CQR's exposure to NNN CPI-linked leases, taking overall portfolio income directly linked to CPI from 23% to 24% and total portfolio income directly or indirectly linked to CPI to 60%. CQR has the ability to equalise ownership in the partnership over time via further investment to diversify the portfolio through acquisitions, as agreed with Hostplus.

Ben Ellis, Charter Hall Retail CEO said: "I'm delighted to announce our investment in this partnership today. This transaction significantly increases CQR's existing exposure to Endeavour Group and convenience long WALE retail, further diversifying and improving the resilience of our income profile. This continues our up weighting to resilient rental growth from direct CPI annual escalations, through NNN leases to Australia's largest operator in this retail sector.

"Our on-going portfolio curation continues to improve the organic growth in CQR while strengthening the resilience of our income through growing our exposure to major tenant retailers. We look forward to growing this partnership with Hostplus and continuing to deliver a resilient and growing income stream for CQR unitholders."

¹ The two South Australian hotels have CPI linked leases with minimum 3%, maximum 5% thresholds.

² Property yield reflecting forecast CPI rent increases. Note LWIP2 leverage is 20%

Today's transaction is not expected to materially change CQR's FY23 earnings and as such, barring any unforeseen events CQR's FY23 guidance is reaffirmed. FY23 earnings per unit is expected to be no less than 28.7 cents per unit representing growth of no less than 1% over FY22 earnings per unit.

FY23 distributions per unit are expected to be no less than 25.8 cents per unit representing growth of 5.3% over FY22 distributions per unit.

Announcement Authorised by the Board

Charter Hall Retail REIT (ASX: CQR)

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

Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC). Charter Hall is one of Australia's leading fully integrated property investment and funds management groups. We use our expertise to access, deploy, manage and invest equity to create value and generate superior returns for our investor customers. We've curated a diverse portfolio of high-quality properties across our core sectors – Office, Industrial & Logistics, Retail and Social Infrastructure. With partnerships and financial discipline at the heart of our approach, we create and invest in places that support our customers, people and communities grow.

For further enquiries, please contact

Ben Ellis
Retail CEO
Charter Hall Retail REIT
T +61 2 8651 9350
ben.ellis@charterhall.com.au

Christine Kelly
Deputy Fund Manager CQR and Head of Retail Finance
Charter Hall Retail REIT
T +61 2 8651 9401
christine.kelly@charterhall.com.au

For media enquiries, please contact

Megan Moore
Senior Communications & Media Manager
Charter Hall
T + 61 434 225 643
megan.moore@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