Charter Hall

The Direct approach

Your guide to investing in Australian commercial property

45-61 Waterloo Rd, Macquarie Park NSW (50% interest PFA)

What is commercial property investment?

Direct funds or listed real estate investment trusts (REITs) often provide access to high quality commercial properties in diversified portfolios. You can invest as an individual, through a self-managed super fund (SMSF) or through other entities such as companies or trusts.

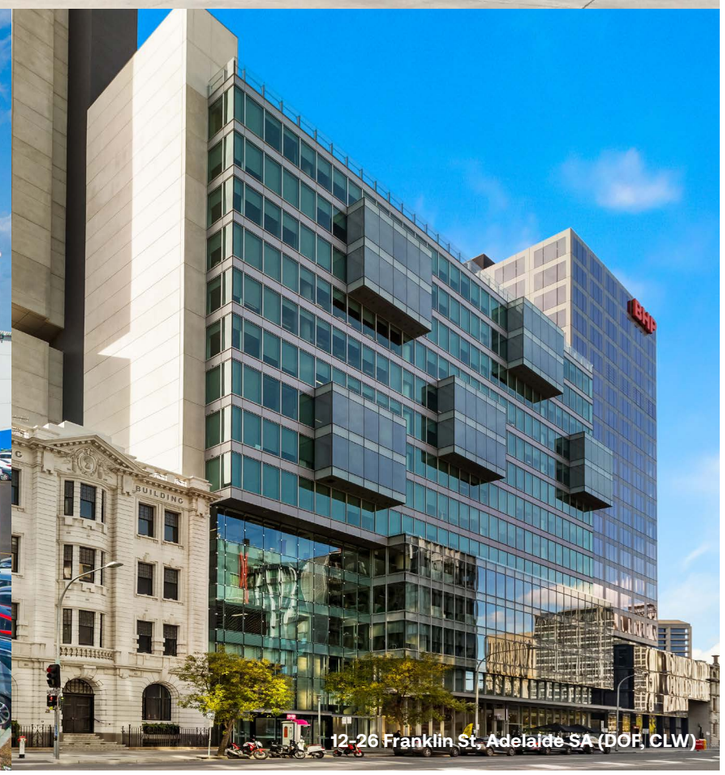
Common commercial property types include:

- **Industrial & Logistics:** The term 'industrial' is used to cover warehouses, manufacturing plants and logistics facilities. Distribution centres have become popular with the rise of e-commerce websites creating greater demand for storage and freight.
- **Social infrastructure:** Social infrastructure related property enables much needed social and community services. Early learning centres and healthcare assets are two examples.
- **Office:** Office property can include anything from one or two-storey blocks to iconic CBD towers. Tenants may be private businesses, government agencies or large listed entities.
- **Retail:** Retail property is some of the most recognisable commercial property. It includes bricks and mortar stores, shopping centres and retail centres, like Bunnings.

39 Colbee Court, Canberra ACT (LWF)

Bunnings Warehouse, Armadale WA (BW Trust)

55 Yarrunga St, Preston NSW (DIF4)


12-26 Franklin St, Adelaide SA (DOF, CLW)

How to get started with commercial property investing

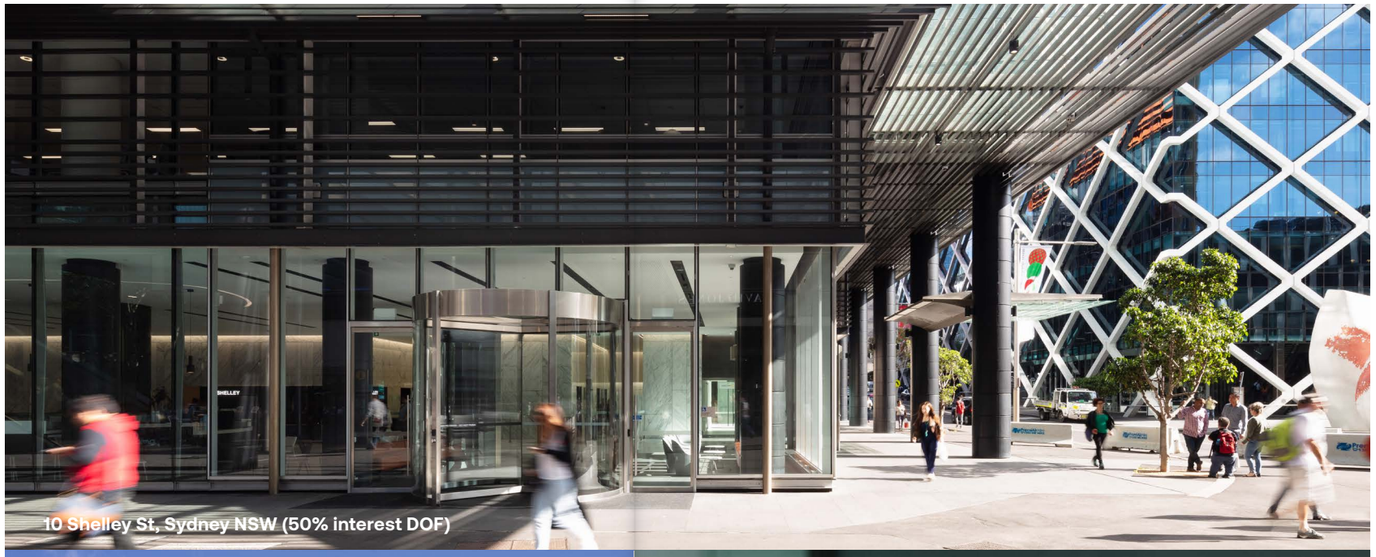
Whether you're new to investing or know a thing or two, there's a lot to discover and learn.

One thing you'll have heard of is the importance of a diverse portfolio. Having a wide range of investments can help manage the ups and downs of individual asset classes.

Investing in Australian commercial property - directly or via listed real estate investment trusts - can complement other asset classes in an investment portfolio. At Charter Hall, creating and managing these types of property investments is our speciality.

Direct property can provide the potential for capital growth over the long term, benefits associated with a diversified portfolio, access to regular and growing income and returns that have a low correlation to listed investments.

Investments in listed real estate trusts also offer the potential for capital growth and diversification benefits. As they can be traded on a stock exchange, these types of investments are subject to market volatility, however they provide the benefit of liquidity.



10 Shelley St, Sydney NSW (50% interest DOF)

10 Shelley St, Sydney NSW (50% interest DOF)

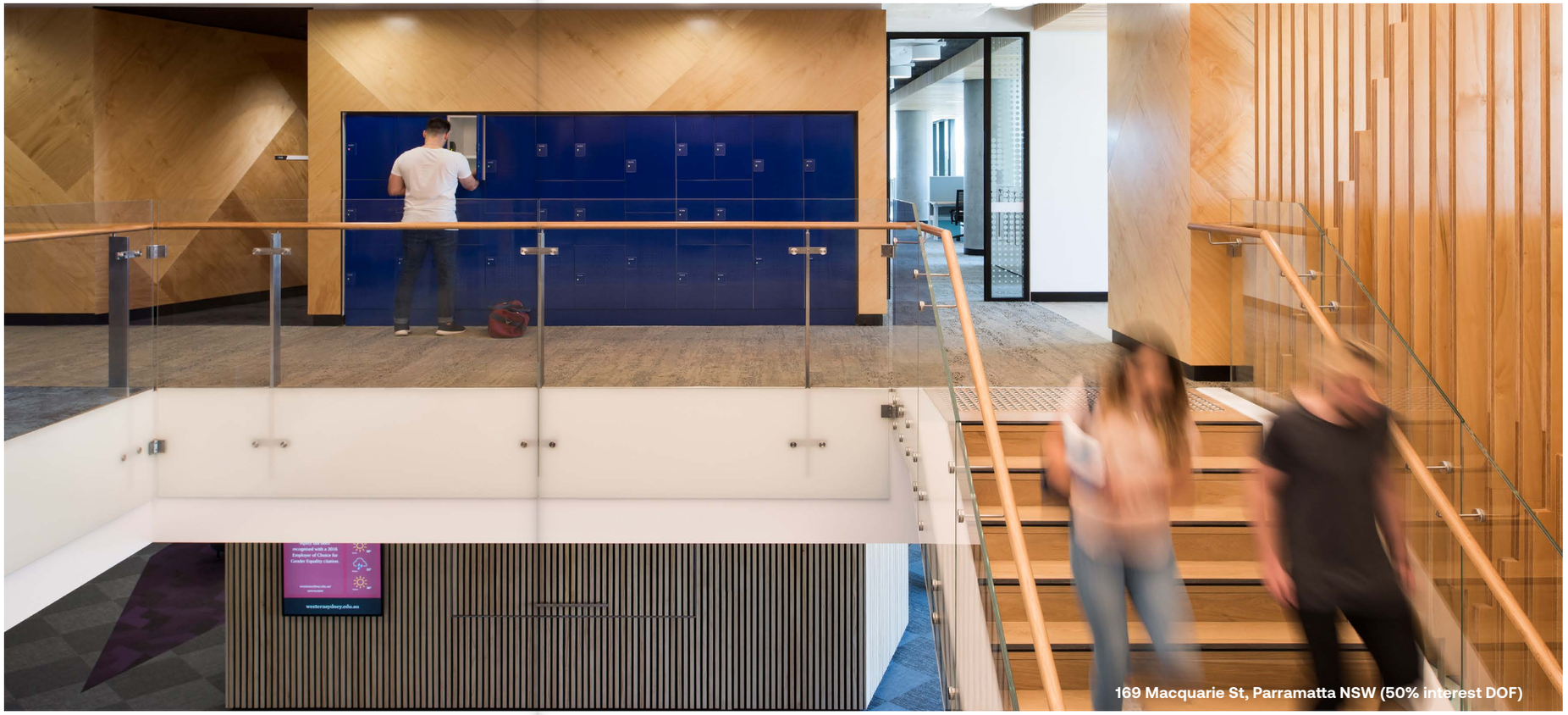
Watch video to learn more about investing in Australian commercial property.

The basics

Advantages of commercial property investment

- **Low volatility:** Direct investment in commercial property is considered a less volatile asset class than other investment options, such as equities. It can form a stable, long-term component of a well-balanced investment portfolio.
- **Income:** Commercial property can provide stable and sustainable income over long periods.
- **Tax deferred income:** Commercial property funds may offer a tax-deferred income component to investors. Tax deferred income means that some income may be taxed in a different year than the one in which income was distributed.
- **Purchase decisions managed by experts:** For the most part, managed funds and A-REITs (listed real estate trusts) benefit from property purchase decisions being made by experienced professionals. Fund managers and their transaction teams will typically have extensive networks within the market to source potential deals, and exhaustive processes to decide whether a property is right to purchase, develop or leave.

Getting to know your property funds


169 Macquarie St, Parramatta NSW (50% interest DOF)

A closer look at how property funds are structured

With attractive levels of income and potential for capital growth, unlisted or direct property funds are in the spotlight in this global low income yield environment. While Australian commercial property is a well-known investment option, the various types of property funds that are accessible to retail, SMSF and high net worth investors are less understood. This article aims to explain the differences between the most common property investment structures.

Open-ended unlisted managed funds

Funds like the Charter Hall Direct Office Fund (DOF), have no fixed expiration date. In Charter Hall's case, our funds offer investors rolling five-year liquidity events. This means that the fund will continue for the long term, remaining open past each liquidity event. Open-ended funds allow you to invest or add to your investment at any time. Investors are given the opportunity to redeem all or some of their units at certain times during the life of the fund through scheduled liquidity events. Alternatively, investors can choose to remain invested instead.

These funds may also offer regular limited withdrawal offers. For example, in DOF, these are intended to be made every six months, subject to the fund having available liquid assets.

A benefit of open-ended funds is the ability to add assets to the portfolio over time. Assets will also be sold, usually when the manager takes the view that the risk adjusted returns for that property have been maximised for investors.

Open-ended property securities managed funds

Other types of open-ended funds may not hold the property directly. For example, a property securities fund like Charter Hall Maxim Property Securities Fund (Maxim) – an unlisted fund that invests in listed property funds, also known as Australian real estate investment trusts or A-REITs. The benefit of having listed securities as the underlying investment is the daily liquidity, noting that this typically comes with greater volatility in the fund's unit price.

Fixed-term funds

These funds have a defined investment period and a limited number of units available. Like open-ended funds, investors often buy units without the certainty of all the assets in the portfolio, trusting the manager to execute on the fund's investment strategy. Once all units have been allocated, the fund closes, and no further units can be purchased. Investors cannot redeem their units until a liquidity event occurs, usually at the end of the fixed term.

Syndicates or trusts

Syndicates or trusts, usually invest in a single asset or small portfolio of properties. Investors have certainty as to the assets in the portfolio before deciding to invest for a fixed initial term. Once the term concludes, it is intended that the portfolio be sold, proceeds are returned to investors and the investment vehicle closed.

A-REITs

A-REITs provide investors with exposure to commercial property via the Australian Securities Exchange (ASX). These have the benefit of daily liquidity and wide diversification options. However, they are subject to listed market fluctuations.

The benefits - no matter the structure

While having very different structures and many different features, these are all ways to invest in the one thing, commercial property. Commercial property investment usually provides sustainable and stable, tax-advantaged regular income. It is important to learn the fundamentals of investments available to you. Seek advice from a financial adviser, consider the risks associated with each investment and look at the track record of the fund manager – regardless of the investment.

Commercial property in 2020

Reliable income

COVID-19 has impacted the commercial property sector in different and varied ways, including large numbers of office workers currently working from home, retail tenancies having to temporarily close, and an increase in demand for industrial space from retailers and logistics companies struggling to keep pace with the increase in online shopping.

In an environment of economic uncertainty, where most economic commentators expect interest rates to stay low for the foreseeable future, investors will be increasingly looking for secure and stable income yields.

Commercial property, particularly office and industrial & logistics properties, with long-term leases to strong tenant covenants, offer good opportunities to those wanting regular and reliable income. The widening of the spread between the bond and property yields will provide tailwind support to commercial property going forward. Income returns from quality unlisted property funds owning commercial property typically range from between 5.5% and 6.5% p.a. after all costs and expenses.

Look for office property with strong tenant profiles

In the office market, the assets that will attract strong investor demand will be those with tenants such as Federal and State Government bodies or other blue-chip firms where there is greater level of income durability. Long-leased, high-quality assets in core locations, with strong tenant profiles are likely to become more desirable as investors look for assets with lease profiles that extend beyond this period of uncertainty. For example, a fund with a weighted average lease expiry (WALE) of 8-10 years, and a high occupancy level, will be better equipped to weather the current short term volatility in the tenancy market, because the fund's cashflow is more secure, underpinning its ability to pay distributions to investors.

As people return to work, companies will need to balance space efficiency with employee health and safety. Tenants will also have a greater sensitivity towards hygiene within the workplace. Landlords such as Charter Hall that have high-quality office assets which provide quality air, ventilation systems and other indoor environmental features, and are managed by experienced property and asset management teams, are well placed to deliver a healthier and safer workplace environment that tenants and their employees will now expect.

E-commerce growth fuels industrial & logistics

In the industrial & logistics sector, demand has increased significantly in recent times as a result of the growth in online retailing. COVID-19 related impacts are likely to accelerate these long-term structural tailwinds. There are groups of consumers who are now using online shopping for the first time. Many of them will continue to shop this way even after the crisis has passed.

Across the Charter Hall portfolio, we have seen many examples of industrial and logistics tenants experiencing very high levels of activity due to increased online shopping, and major retailers and logistics companies reassessing their supply chain networks.

For example, food logistics properties leased to Coles and Woolworths have been busy keeping up with demand to ensure food and staples are back on the shelves in the shortest possible time. We have a distribution centre in Melbourne where the tenant has increased the hours of operation to satisfy the demand from consumers shifting their purchases of exercise and sporting equipment to online channels. The major parcel delivery groups like Toll, DHL, Australia Post and other third party logistics operators have also experienced buoyant trading conditions with a material uplift in parcel deliveries, all of which need to pass through a distribution centre.

As industrial users reassess their inventory volumes and continuity plans to mitigate future supply chain disruption risks, there will likely be greater demand for larger national/regional import centres, last-mile logistics and cold storage assets. While a surge in demand for some goods has tested supply chains in the short term, we believe this will be a temporary impact, and over the medium and longer term the industrial & logistics sector will continue to outperform.

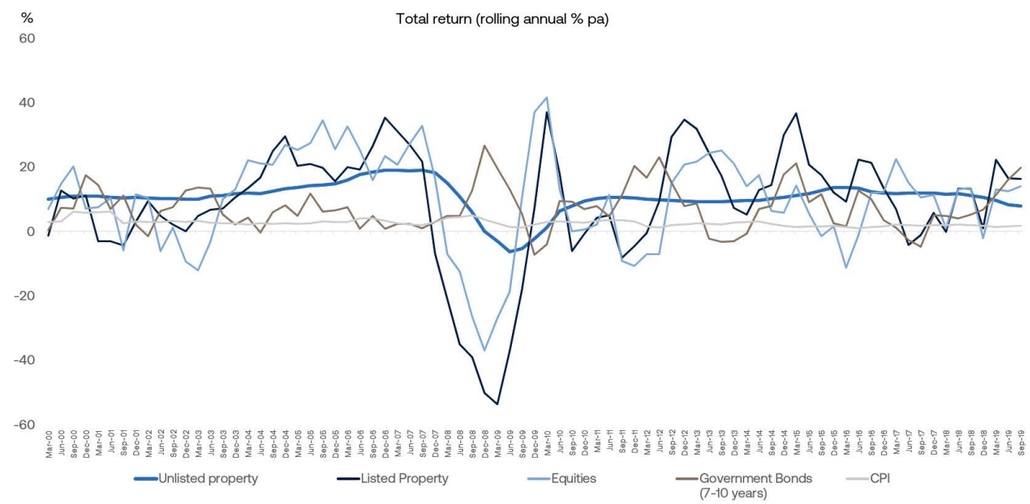
The Direct approach might be best

The challenge for many investors is knowing how to access these opportunities. Should they buy AREITs, invest in single asset property syndicates or unlisted direct property funds that own a portfolio of assets? As always, it comes down to each investor's objectives, appetite for risk, liquidity requirements and their investment window, which is why we always recommend consulting your financial adviser first.

Charter Hall Direct is Australia's leading direct property fund manager and is part of the wider Charter Hall Group which manages Australian institutional quality property assets.

If unlisted commercial property is of interest to you, it's important to understand that direct property fund investments are 'set plays'. Unlike listed property trusts, which trade on the ASX and can be bought or sold each day, direct property funds are unlisted and typically have a fixed investment or liquidity term. That usually means investors commit for periods of around five years – depending on the underlying fund – at which time there is a liquidity review giving the option for an investor to exit the fund or elect to stay in for another five years. So, they will suit investors looking to balance their portfolio with a medium-term investment that has historically delivered consistent and growing income returns over the cycle.

Income stability of unlisted direct property contributes to lower average volatility over the last 20 years



Source: All Property, MSCI AU Real Estate Equities Gross in Local Currency, MSCI Australia Equities Index Gross in Local Currency, J.P. Morgan, GBI Global, Australia, Unhedged index in AUD, 7-10 years, CPI: Eight Capital Cities.

Advantages of a managed property fund

1 **Simplicity**: When investing through a direct property fund, property management is undertaken by the manager. In this way, you get to own part of a property or portfolio of properties without the burden of purchasing decisions, finding tenants and organising maintenance.

2 **Accessibility**: One big drawcard of direct property funds is the market these investment options open up for investors. By pooling funds together from multiple parties, managed funds and trusts have vastly greater purchasing power and can offer investors access to institutional-grade properties otherwise inaccessible to them. The minimum deposit required to invest with Charter Hall is $20,000 - far lower than the typical deposit needed for a commercial property venture.

3 **Diverse property portfolio**: In the same way that a diversified investment portfolio spreads risk across asset classes, a diverse property portfolio spreads risks across multiple assets. Many fund managers, including Charter Hall, combine multiple assets into a single investment option. When investors purchase units in the fund, they are purchasing shares of sometimes hundreds of properties.

5

Key tips

1. Manager

The track record of the manager is of the utmost importance when considering a property fund investment. The manager is responsible for investment decisions and the proper performance of its duties and obligations in operating the Fund.

2. Debt

High debt – or gearing – caused many of the problems experienced by property investors in the fallout from the global financial crisis. A gearing ratio of between 30 and 45 per cent is considered reasonable. Are there any risks associated with loan maturity? It is the manager's responsibility to provide updates.

3. Tenants

Look for long leases with government or blue chip companies, or quality emerging companies likely to be around for the life of your investment. Commercial property owners can agree on longer leases, or leases with a diverse range of tenants over different time frames.

4. Liquidity

Commercial properties are not bought or sold with the frequency of listed investments. They can also take months to sell. For example, hospitals are rarely traded. That means investors need to structure their holdings around their liquidity needs and plan for withdrawals over a longer period.

5. Valuation

How and when does the fund value its underlying property assets? Does an independent third party undertake the valuations? This information should be available in the Product Disclosure Statement (PDS).

Things to consider when investing in or selecting a property fund.

Risks of commercial property investment

As with all investments, an investment in commercial property carries a number of risks.

Below are a few of the key risks that you should consider. However, the risks detailed below are not an exhaustive list and you should read the relevant fund Product Disclosure Statement (PDS) in full before deciding whether to invest in any fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.

- **Illiquid asset:** Unlisted commercial property is considered illiquid and investors should consider investment timeframes of five years or more.
- **Property fluctuations:** Commercial properties are susceptible to fluctuations in value over time. Factors such as lease terms, capitalisation rates or supply/demand may affect the ongoing value of a property.
- **Legislative change:** Changes in government legislation can impact on the performance of some commercial properties. You can find out more about the features and risks of managed property funds in particular by reading the PDS of the relevant fund.

13-39 Pilbara St, Welshpool WA (DIF4)

Investing in commercial property vs. residential property

One of the most important things to know about investing in commercial or residential property is that, while there may be similarities between the two markets, they have different investor and occupier profiles.

Some characteristics to be aware of:

Higher income

Residential property typically has a lower capital price compared to the other commercial real estate classes. A commercial office, industrial or retail asset typically requires significantly more capital to acquire. As such, direct investment in commercial property is undertaken by a fewer number of investors who have the required knowledge and financial capacity to purchase multi-million dollar assets, and the operational capacity to undertake the day-to-day management.

Lease terms

The lease profiles between residential and commercial are markedly different. Commercial real estate leases are usually longer, typically ranging from three to 20 years. These commercial leases usually benefit from fixed annual or market related annual rental increases.

Tenants

Institutional grade commercial property leases tend to be to quality tenants which generally have low risks of defaulting. These include tenants such as Commonwealth or State Government agencies or well-regarded corporations. Good managers undertake comprehensive tenant analysis and target quality tenants through economic cycles.

Unlisted direct property vs. shares


1 Nicholson St, Melbourne Vic (DOF)

It's widely agreed that the foundation of any retirement savings strategy for the majority of investors is balance or diversification.

Overweight cash and Australian equities' is one of the most common observations to be heard from fund managers, brokers, accountants, advisers and consultants when talk turns to asset allocation.

The are simple reasons for this.

Cash, although very low yielding in the current environment, is safe; and Australian equities are accessible, known, highly visible and well understood.

However, the strong performance of unlisted direct property is less well known.

Unlisted direct property funds are a means for investors to own units in large, high quality Australian commercial properties that would normally be out of reach for the average person to wholly own in their own name.

In short, unlisted direct property provides access to high quality investment grade assets – the same class of assets owned by the big institutional and wholesale investors.

The level of risk associated with an investment in the direct property funds is different to other asset classes.

Please consider the risks associated with the direct property funds carefully before deciding whether to invest.

The two big differences between shares and direct property funds

are the valuation method and liquidity. The price of a share is determined by the market, and on any day that price may be above of below the underlying value depending on market sentiment. Shares are also highly liquid.

Units in direct property funds directly reflect the actual valuation of the building or buildings in the fund, and direct property units should be regarded as illiquid.

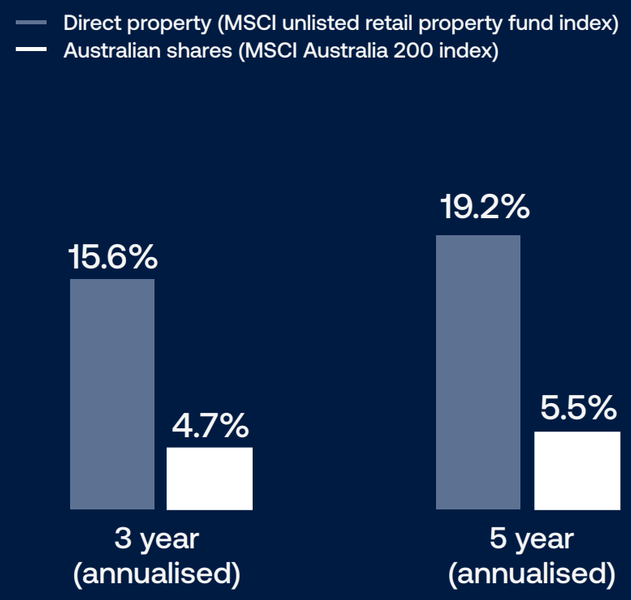
An unlisted property fund has a defined term and the units can be redeemed at the end of the term, although there are sometimes limited liquidity events during the term.

When it comes to performance, many people are surprised to learn how well direct property can perform. Even more so when it is highlighted that the asset class has performed better than Australia equities over the last three-year and five-year periods. See adjacent graph.

The adjacent chart gives a performance comparison of direct property vs. Australian shares and Australian equities. Over three years to 30 June 2020 Australian unlisted property funds posted a total return (distributions and capital growth, pre fees) of +15.6%; and Australian equities +4.7%.

Unlisted property vs. shares

as at 30 June 2020



15.6%

Total return for unlisted direct property over the three years

Listed

property funds (A-REITs)

- A more flexible investment, with no minimum terms.
- Stable performance over the long term
- High levels of income
- Exposure to quality commercial property

Listed property funds, also known as Australian real estate investment trusts (A-REITs), provide investors with exposure to high quality commercial property.

A-REITs are traded on the Australian Securities Exchange (ASX), which provides the benefit of daily liquidity.

You can invest in Charter Hall Group itself, or in one of the three listed funds we manage and gain exposure to the properties they hold.

Explore opportunities

Maxim Property Securities Fund

An alternative to unlisted direct property funds.

Objective

Maxim aims to provide investors with income and capital growth generated from real property via real estate investment trusts and property related securities listed on the ASX. Maxim also seeks to outperform the S&P/ASX 300 A-REIT Accumulation Index by 1.5% per annum after fees and costs over rolling three-year periods.

Strategy

- Access to a curated portfolio of ASX-listed securities focused exclusively on the property sector;
- Manage the portfolio according to our high conviction strategy, investing in no more than 20 securities;
- Actively identify opportunities where securities may be mispriced and take a long term view on quality managers and assets;
- Apply a repeatable process with rigid portfolio controls, reviewing each investment with our proprietary proprietary research strategy, our portfolio construction methodology and appropriate risk controls.

“Maxim has a long track record meeting its objective.

Learn more

Industrial property - strong indicators going forward

No longer is the industrial property sector the poor cousin to the more flashy office or retail sectors. It has well and truly stepped out of the shadows and is delivering strong results for investors.

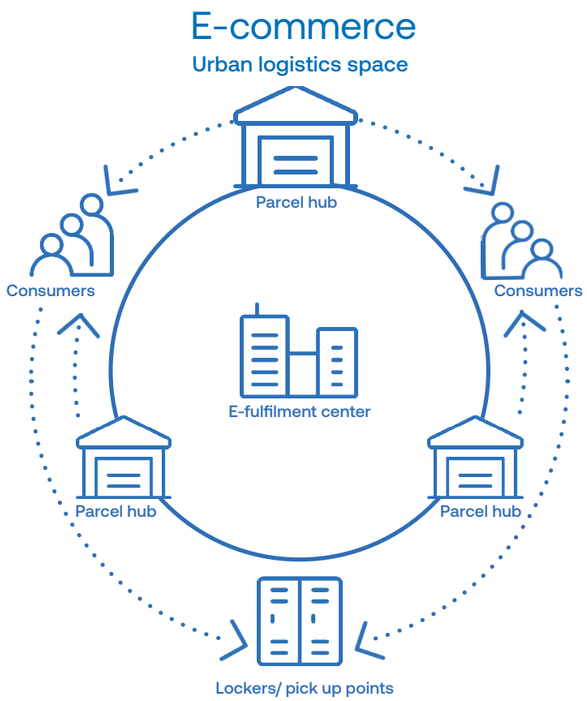
The key reasons we believe industrial & logistics real estate is well placed to provide growth over the medium to longer term is because of the low levels of vacancy and the structural tailwinds. This outlook is underpinned by the continued growth in demand for transport and logistics and its key role in keeping the basic day to day necessities of Australians in supply to consumers and businesses.

Certainly, the value of e-commerce has increased exponentially as a result of COVID-19 and the take-up of online retail looks set to continue as the country experiences a significant structural and cultural shift in the way consumers buy their goods. Long term, we expect these buying habits to become permanent as consumers become accustomed to the simplicity and ease of online shopping.

Alongside this change, the amount of inventory held in reserve also looks set to increase as retailers, cold storage occupiers and transport and logistics providers accelerate optimisation of their supply chains and commit to occupying purpose-built, high-quality technology filled property facilities. Coles' recent pre-commitment on long-term leases for two Charter Hall owned high-tech customer fulfilment centres (CFCs) in Sydney and Melbourne is a case in point.

The supply chains for e-commerce are also very different to a traditional distribution model with multiple linkages spread throughout the network. Understanding these changing requirements is a critical component of making sure that the industrial assets that are built or acquired are going to meet the needs of the users over the long term.

At an institutional level, both domestic superannuation funds and global pension funds are broadly underweight industrial and logistics assets. Inevitably, given the thematic tailwinds driving the sector, capital will move into these assets, which is why we expect high quality industrial and logistics real estate to show elevated transaction activity in the coming year. In fact, prime industrial capitalisation rates (yields) are already challenging levels set by prime office.



A major off-market transaction

Our Charter Hall Direct Industrial Fund No.4 (DIF4) and Charter Hall Prime Industrial Fund (CPIF) secured a $115 million logistics property at 40-66 Lockwood Drive, Erskine Park.

The acquisition of the Erskine Park facility is consistent with Charter Hall's strategy to acquire core logistics properties leased to good quality tenants on long term leases and situated in key industrial precincts with access to major infrastructure and transport networks.

Originally developed as the national distribution centre for Winc, a national workspace solutions supplier, the site covers 8.273ha and has a total GLA of 43,000sqm, of which approximately 40,000sqm is used for warehouse accommodation, with the remaining 3,000sqm being occupied as office accommodation.

The acquisition was a rare opportunity to secure a major logistics facility in the tightly held Western Sydney growth corridor.

DIF4 has also recently acquired a property in Western Sydney leased to a wholly owned subsidiary of Visy Australia on a 20 year triple net lease. This is another example of Charter Hall utilising its expertise and relationships for the benefit of the funds investors in delivering a long leased property with an exceptionally strong tenant covenant.

How to evaluate industrial investments

If you're looking for a direct fund focused on industrial and logistics assets to recommend to your clients, we suggest you look for a fund that offers:

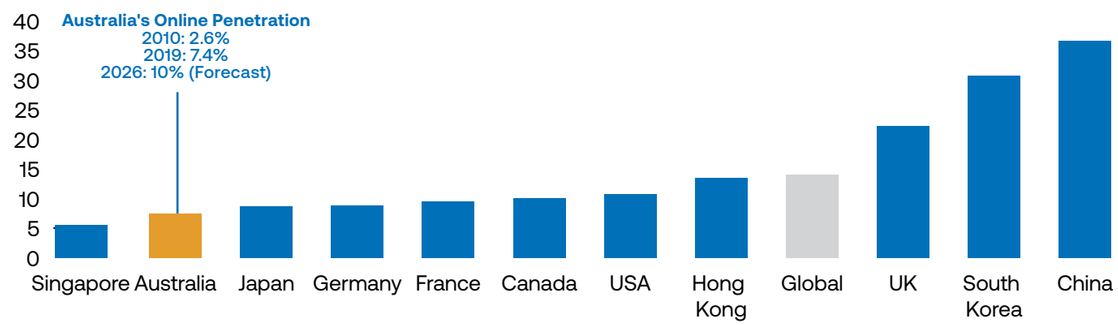
- A diversified portfolio benefiting from high quality tenants;
- Conservative gearing levels;
- Long leases with robust tenant covenants that will provide greater income certainty; and
- Consistent income from the investment over the long term.

Charter Hall Direct Industrial Fund No.4 (DIF4) is an unlisted property fund investing in a portfolio of quality Australian industrial & logistics properties that aims to provide sustainable and stable, tax-deferred income as well as the potential for capital growth. Income is payable quarterly to investors, from core Australian industrial property investments.

You can find out more about Charter Hall Direct Industrial Fund No.4 here

Total online retail sales as a percentage of total retail sales (2019)

Based on existing online sales penetration in Australia there is opportunity for further growth to occur.



Source: IBIS World, ABS, statista, eMarketer, Charter Hall Research.
Note: All research forecasts are current as at 31 March 2020.

Tax. What it means to you.

Investors often have the option of investing in a range of asset classes. Some options are shares, property, fixed interest or cash. When considering which asset class to invest in, the expected returns need to be balanced with the risks. Another consideration is the tax that is likely to be payable. Investors need to seek their own personal advice in relation to taxation. The example given on the next page is an illustration only and should not be relied upon as personal taxation advice.

Case study

How Megan invested in a direct property fund through her self managed super fund

Five years from retirement

Megan has $20,000 to invest

Self-Managed Super Fund
Marginal tax rate 15%[1]

Transfers to allocated pension funds at retirement
No income or capital gains tax.

Direct Property fund
Pays income distribution of 6%, of which 70% is tax deferred.

Income return of $1,200 pa
$840 tax deferred, only $360 taxable in each financial year.

Retirement

Megan redeems her direct property investment after she retires

The deferred income is included in capital gains tax calculation.

- Any capital gains tax is taxed at marginal tax rate, which is zero.
- No tax or capital gains tax on the trust.
- Deferred tax income amounts of $4,200 are tax free.
- If income distributions contain no deferred components, tax payable amounts to $900 over five years ($1,200 x 15% x 5 years).

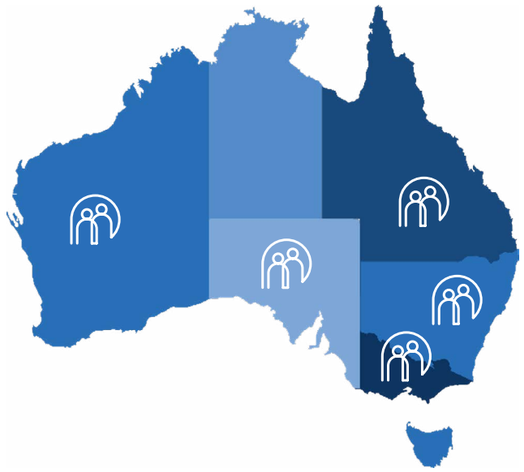
Note: This case study provides general information only and should not be relied on, and does not constitute taxation advice.
1. This assumes that the investor is not liable for the extra 15% tax on the super contributions that applies to high income earners. This tax is charged if your income plus your concessional super contributions are above $250,000. There are different tax rules for members of defined benefit super funds. More details are available on the Australian Tax Office website.

Why Charter Hall?

We have been investing in and managing commercial properties for decades, holding a wide variety of Australian property assets. That level of tenure cannot be attained without a significant degree of expertise, making us one of the country's most trusted fully integrated property groups.

Our people are our difference.

We employ the best-in-class property and investment professionals to ensure that we can find, acquire and manage commercial real estate assets all across Australia.



12 Shelley St, NSW (50% interest PFA)

How we identify the best assets for our portfolios

Our transaction team is one of the busiest in the country, and work closely with our investment managers to identify the right properties for our range of funds.

Asset identification

There are three main macro sources. First is publicly marketed/advertised sales, or 'on market' deals, for short. We monitor and assess most properties of potential interest from this public source.

A second category, a substantial one, is via our formal and informal networks, trade contacts or relationships across the industry. These are generally referred to as 'off market' deals.

Charter Hall as an industry leader in terms of size, performance and reputation, and has an extensive network of professional relationships amongst potential sellers, commercial agents and tenants who may wish to do a "sale and leaseback". These generate a flow of opportunities. Including some which other property managers would not have access to.

Our ability to execute transactions, from modest to very large in size, is a significant factor. Charter Hall has a strong reputation for its ability to complete acquisitions, which is a source of competitive advantage when bidding for assets. On multiple occasions this has been a key reason why a seller has decided to sell to Charter Hall and not to others. We also unlock hidden value – we often see opportunities others may not.

A third way we acquire assets is through our development capabilities. For example, we developed the prime office tower at 1 Parramatta Square that is now home to over 10,000 students from Western Sydney University. The development forms part of Charter Hall Direct Office Fund (DOF) and provides investors with access to brand new prime-quality commercial property.

Charter Hall benefits from a large number of senior property professionals in our transactions team. They specialise and focus on sourcing properties on behalf of our investors, then oversee the second level of the acquisitions process, and finally manage the divestment process when an asset needs to be sold.

Due diligence

The second level of the acquisition process is the detailed analysis of those properties which meet our first filter. This is the micro, due diligence or so called deep dive.

An initial evaluation by our transactions team and the relevant managers' considers fundamental factors, namely:

- quality of the property and tenant;
- tenure of lease;
- location; and
- pricing expectations.

Charter Hall has specialist transaction teams across each major sector – office, industrial, retail and social infrastructure.

If a property passes this first filter and meets our criteria in these four areas, the transactions team will then draw on expertise of other areas of the Charter Hall business to make a deeper assessment of the property – industry and sector research, asset management, technical services, tax, finance and legal.

If after this evaluation, a Charter Hall fund is interested in pursuing the asset we will bid for the property.

If successful in bidding, the fund is placed into exclusivity on the acquisition for a usual period of up to four weeks. This means the seller has agreed not to deal with any other bidder, and the fund will have a period of time to undertake further detailed due diligence and seek required internal approvals to proceed.

The due diligence process, both initial and deeper dive, is very thorough and we use external specialists (e.g. engineers, surveyors, builders, lawyers) to assess key areas of the property to ensure the fund is fully informed of the property prior to the purchase.

This deeper due diligence includes a review of the following:

- the property's structural design and condition;
- environmental considerations;
- planning considerations (zoning);
- capital expenditure requirements
- legal and lease review; and
- valuation review.

The relevant fund's Board is then required to approve the transaction before any acquisition is made and before the property is added to any fund portfolio.

Charter Hall never buys a property without having an exit strategy. It's one of the reasons we often prefer to purchase properties with long leases. It provides the possibility of marketing the property years down the track with a high quality tenant and a lease long enough to be attractive to the next owner.

Our track record

With over 29 years' experience in property investment and funds management, Charter Hall is one of Australia's leading fully integrated property groups with a total property portfolio of over $40 billion.

'91
Charter Hall launches in Sydney with an initial focus on commercial property advisory work.

'95
First syndicate launched. CHIF1 is the first in a series of high quality property syndicates.

'96
Australia's first institutional opportunistic property fund launched with AMP Capital. A series of five opportunistic funds follows.

'04
Transfield Holdings acquires 50% of Charter Hall. David Harrison joins the company as Joint Managing Director alongside David Southon.

'05
Charter Hall lists on the ASX.

'06
Launches the Core Plus Office Fund, the first in a series of open-ended core investment vehicles. At the time, this was Australia's largest blind private equity property fund raising.

'07
Launches the Core Plus Industrial Fund. Achieves the highest independent ratings in the retail Property funds industry.

'09
The Gandel Group acquires a strategic 12% interest in Charter Hall.

'10
Acquires the rights to Macquarie Group's real estate funds management platform, increasing FUM to >$10bn.

'11
Charter Hall celebrates its 20 year anniversary. Divests offshore assets, focusing on its core Australian business.

'12
Privatises the listed Charter Hall Office REIT (ASX:CQO) to form the Group's largest wholesale partnership.

'13
Launches the Core Logistics Partnership and establishes the $700m Retail Partnership No.2.

'14
Launches the Long Wale Investment Partnership (acquiring the $603m ALH portfolio) and the Long Wale Hardware Partnership.

'15
Achieves a 10 year cumulative total return per annum of 9.8% outperforming both the S&P/ASX 200 and S&P/A-REIT indexes.

'16
David Harrison appointed sole Managing Director and Group CEO. Charter Hall Long WALE REIT (ASX:CLW) lists on the ASX.

'17
Achieves Australia's largest Green Star footprint with some 200 built and development assets getting Green Star ratings.

'18
Acquires Folkstone Ltd, growing FUM by $1.6bn and increasing investable universe into the social infrastructure and early learning sector.

'19
Record year of equity inflows across all capital sources and transactions saw FUM grow by 31%.

'20
Over $40bn Funds Under Management 1,300+ Office, Industrial & Logistics, Retail and Social Infrastructure Properties.

Property jargon & acronyms

A

Anchor Tenant: Key tenant(s), who attract other tenants and customers to a shopping centre.

A-REIT: Australian Real Estate Investment Trust is the pooled capital used to purchase and manage real estate investments to provide investors a return. Often traded on a stock exchange.

ASX: Australian Securities Exchange.

Average Lease Term: see WALE.

B

Basis points: Generally used to define differences in yield. 1% is equal to 100 basis points.

Benchmark: Relative measure of performance. Often used as a synonym for Index.

Book Value: Value of an asset for accounting purposes, representing its cost plus any additions, less depreciation.

C

Capitalisation Rate: The rate at which the annual net income from an investment is capitalised to ascertain its capital value.

CHC: ASX ticker code for the Charter Hall Group.

CHDPML: The Responsible Entity for Charter Hall's Direct Property funds.

CHIFs: Charter Hall's investment fund syndicate series.

Commercial Property: Office, industrial, retail and social infrastructure investment property.

D

DA: Development Application.

DD: Due Diligence.

Direct Property Fund: An unlisted property fund, trust or syndicate investing in commercial property but not listed on the ASX.

Distribution: Regular income payments made from the fund to investors.

DRP: Distribution Reinvestment Plan is the opportunity to reinvest distributions by purchasing additional units.

E

Effective Rent: Rental payments less landlord concessions or incentives.

EOI: Expression of Interest.

G

Gearing: Total interest bearing liabilities divided by the total assets.

GLA: Gross Lettable Area is the total amount of floor space available to be rented.

H

HOA: Heads of Agreement is the agreement with a prospective tenant before the lease is signed.

I

ICR: Interest Cover Ratio is revenue over the interest expense.

Independent Valuation: The value of a property as calculated by an independent and registered valuation professional that is external to the Manager.

Initial Yield: The annualised property income expressed as a percentage of the property value.

L

Lease: Binding agreement where one party agrees to rent property from another party for a fixed period.

LVR: Loan to Value Ratio is a method of determining borrowing capacity, usually expressed as a percentage.

M

Major Tenant: Normally the largest tenant(s) in an office or industrial property.

Market Price: The price actually paid for a property.

Market Rent: Rent applicable to a property in the open market.

N

NABERS: National Australian Building Energy Rating Scheme.

NAV: Net Asset Value is total assets minus total liabilities.

Net Absorption: Difference between space leased and space supplied over a set time period.

NGERS: National Greenhouse and Energy Reporting Scheme.

NLA: Net Lettable Area is the total amount of floor space available to be rented.

O

Occupancy: The number of tenants at a given property, usually expressed as a percentage.

P

PCA: Property Council of Australia is the industry body and leading advocate for Australia's property industry.

PDS: Product Disclosure Statement or Prospectus is the offer document containing information for assessment of a specific investment opportunity.

R

RE: Responsible Entity is responsible for managing an investment trust on behalf of scheme members.

Retail Property: Shopping centres including regional, sub-regional and neighbourhood centres.

S

Sqm: Measurement of square metres.

T

Tax-deferred: Portion of distributions that are income tax advantaged due to depreciation. The cost base of units for calculation of capital gains must be reduced by the amount of tax deferred income received.

U

Unlisted Direct Property Fund: See direct property fund.

W

WALE: Weighted Average Lease Expiry is a metric used to express the duration of lease commitments across a portfolio.

Y

Yield: The ratio of net income from an asset to value of the asset, expressed as a percentage. In terms of property trusts it can be calculated as distribution divided by market price, multiplied by 100.

We are here to help

It's never just about the end result; the journey to getting there is equally important. By speaking directly with investors, our team are able to gather insights into the real-world financial goals investors hope to achieve.

Marco Triani

Investor Relations & Distributions Manager

+61 2 8651 9309
marco.triani@charterhall.com.au

Taylor Donovan

Investor Relations Executive

+61 2 8651 9554
taylor.donovan@charterhall.com.au

Sarah Blankfield

Investor Communications Executive

+61 2 8651 9563
sarah.blankfield@charterhall.com.au

charterhall.com.au